**A**

**Project Report**

**On**

**"A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF SBI & HDFC BANK"**

**Submitted to**

**G.S. COLLEGE OF COMMERCE & ECONOMICS (AUTONOMOUS) NAGPUR**

**Affiliated to**

**RASHTRASANT TUKADOJI MAHARAJ NAGPUR UNIVERSITY NAGPUR**

In partial fulfillment for the award of the degree of

**Bachelor of Business Administration**

Submitted by:

**Nikhat Zuhi**

Under the Guidance of:

**Dr. Pragati Pandey**

**G.S College of Commerce & Economics, Nagpur**

**Academic Year2023-24**

# CERTIFICATE

This is to certify that **"NIKHAT ZUHI "** has submitted the project report titled **"A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF SBI & HDFC BANK"**towards partiai fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does nat form part of any other course undergone by the candidate. It is further cetified that he/she has has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University.

**Dr.Pragati Pandey**                                                           **Dr.Afsar Sheikh**

**(Project Guide)**                                                               **(BBA Coordinator)**

**Place:Nagpur**

**Date:**

# **DECLARATION**

I here -by declare that the project with title **"A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF SBI & HDFC BANK"** has been completed by me in partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRAION** degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University. And this has nsot been submitted for any other examination and does not form part of any other course undertaken by me.

**NikhatZuhi**

**Place:**

**Date:**

# ACKNOWLEDGEMENT

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

I am extremely thankful to project Guide **Dr. Pragati Pandey** for /his /her guideline throughout the project. I tender my sincere regards to Co- Ordinator, **Dr. Afsar Sheikh** for giving me outstanding guidance, enthusiastic suggestion and invaluable encouragement which helped me in the completion of the peoject.

 I will fail in my duty if I do not thank the non-Teaching staff of the college for their Co-operation. I would like to thanks all those who helped me in making this project complete and successful.

**Nikhat Zuhi**

**Place:**

**Date:**

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# CHAPTER 1

# INTRODUCTION

## <u>Introduction to SBI Bank:</u>



State Bank of India (SBI) is one of India's oldest and largest public sector banks, with a rich history dating back to the early 19th century. Established in 1806 as the Bank of Calcutta, it was later renamed as the Bank of Bengal. Subsequently, in 1921, it merged with the banks of Madras and Bombay to form the Imperial Bank of India. Finally, in 1955, the Imperial Bank was nationalized and became the State Bank of India.

Today, SBI stands as a beacon of trust and stability in the Indian banking sector, with a widespread network of branches and ATMs across the country and a significant presence in international markets. It offers a diverse range of financial products and services, including savings and current accounts, loans, investments, insurance, and more, catering to the diverse needs of its customers.

SBI's commitment to innovation and customer service has helped it adapt to the changing landscape of banking, making it a preferred choice for millions of customers. With a strong focus on financial inclusion and digital banking, SBI continues to play a pivotal role in driving India's economic growth and development.

## Introduction to HDFC Bank



HDFC Bank, one of India's leading private sector banks, has emerged as a prominent player in the country's banking sector since its inception in 1994. With a strong focus on customer service and technological innovation, HDFC Bank has redefined banking experiences for millions of customers across India. The bank offers a wide range of banking products and financial services, including retail banking, corporate banking, and treasury operations, catering to the diverse needs of individuals, businesses, and institutions.HDFC Bank's commitment to excellence is reflected in its mission to be the most preferred financial services provider, delivering world-class solutions through its extensive network of branches, ATMs, and digital platforms. The bank's robust financial performance, coupled with its customer-centric approach, has earned it a reputation as a trusted and reliable financial partner.In this era of rapid technological advancement and evolving customer preferences, HDFC Bank continues to innovate and adapt, ensuring that it remains at the forefront of the banking industry. Through its innovative products, efficient services, and strong commitment to customer satisfaction, HDFC Bank continues to set new benchmarks for excellence in banking.

# CHAPTER 2

# COMPANY PROFILE

# Company Profile Of SBI Bank

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

| | |
|---|---|
| Area served | Worldwide |
| Key people | Dinesh Kumar Khara (Chairman) |
| Products | <ul><li>Retail banking</li><li>Corporate banking</li><li>Investment banking</li><li>Mortgage loans</li><li>Private banking</li><li>Wealth management</li><li>Credit cards</li><li>Finance and Insurance</li></ul> |
| 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<br>• SBI Cards and Payment Services Ltd<br>• SBI General Insurance (70%)<br>• Jio Payments Bank (30%)<br>• Yes Bank (30%)<br>• Andhra Pradesh Grameena Vikas Bank (35%)<br>• Kaveri Grameena Bank (35%) |
| Capital ratio | Tier 1 11.03%(2022) |
| Rating | • S&P BBB- / A-3/ Stable[4]<br>• Moody's Baa3/ P-3/ Stable[4]<br>• Fitch BBB- / F-3/ Stable[4] |
| Website | www.sbi.co.in |

# COMPANY PROFILE OF HDFC BANK

| | |
|---|---|
| Traded as | • NSE: HDFCBANK<br>• BSE: 500180<br>• NYSE:HDB (ADS)<br>• BSE SENSEX Constituent<br>• NSE NIFTY 50 Constituent |
| ISIN | INE04A01034 |
| Industry | Financial services |
| Founded | August 1994 (28 years ago) |
| Headquarters | Mumbai, Maharashtra,<br>India |
| Area served | India |
| Key people | • Atanu Chakraborty<br>  (Chairman)[1]<br>• Sashidhar Jagdishan<br>  (CEO) |
| Products | • Credit cards<br>• Consumer banking<br>• Commercial banking<br>• Finance and insurance<br>• Investment banking<br>• Mortgage loans<br>• Private banking<br>• Private equity<br>• Wealth management |
| 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<br>(25.7%) |
| Number of employees | 1,41,579 (2022) |
| Subsidiarics | HDFC Securities<br>HDB Financial Services |
| Website | www.hdfcbank.com |

# CHAPTER 3

# LITERATURE REVIEW

# LITERATURE REVIEW

## INTERNATIONAL REVIEW:

In 1991, The committee's second report, released in 1998, recommended that the two organizations be merged. Banks in the public sector that are strong and those that are poor are being closed. The committee also promoted a healthy rivalry between public and private sector banks by recommending the Golden Handshake Scheme. (Arora, 2017)

Following the Narasimham Committee's recommendations, the profitability and growth of Indian banks improved significantly. Deposits as a percentage of GDP increased from 48.6% in 1990 to 60.4 percent in 2010. In 2002, the credit rating rose from 29.5 percent to 39 percent. (Radha, 2003)

According to Malayadri and Sirisha (2011), in their paper titled "A Comparative Study of NonPerforming Assets in Indian Banking Industry," there has been a rise in advances and a decrease in the NPA ratio in both public and private sector banks, resulting in improved financial performance. Quality of the asset They also came to the conclusion that the banks' NPA management had improved as a result of the study. The regulatory authorities implemented prudential standards and measures. (Malayadri, Sirisha, & Pacha, 2011)

In their paper titled "NPAs Reduction Strategies for Commercial Banks in India," Prasad and Veena (2011) reported that NPAs have a negative effect on the ROA because they do not produce any net interest income. As a result, bank profits are reduced, and recycling of waste is limited. (Bhavani, G.V., Veena, & D, 2011)

## 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 STUDIES

# **PROBLEM DEFINITION**

- To know whether the private sector bank (HDFC Bank)) work better than the public

  sector bank (SBI Bank).

- 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.

**NIKHAT ZUHI BBA 3RD YEAR**

# 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  2020-21, 2021- 2022, 2022-23.

- 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.

# OBJECTIVE OF STUDY

# OBJECTIVE OF STUDY

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

- To understand and compare the trends of NPA and Financial Report of both the banks over the last three years.

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

# LIMITATION OF STUDY

# LIMITATION OF STUDY

➢ 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.

# HYPOTHESIS

## **Hypothesis**

H0:- There is no significant relationship between the gross NPA ratio and Financial Report of SBI and HDFC over the last three years.

H1:- There is  a significant relationship between the net NPA ratio and Financial Report of SBI and HDFC over the last three years.

# CHAPTER 5

# RESEARCH METHODOLOGY

# RESEARCH METHODOLOGY

Methodology includes the overall research procedures, which are followed in the research study. This includes Research design, the sampling procedures, and the data collection method and analysis procedures. To broad methodologies can be used to answer any research question-experimental research and non-experimental research. The major difference between the two methodologies lies in the control of extraneous variables by the intervention of the investigator in the experimental research.

## DATA COLLECTION

### Primary Data

These data are collected first time as original data. The data is recorded as observed or encountered. Essentially, they are raw materials. They may be combined, totalled but they have not extensively been statistically processed. For example, data obtained by the peoples.

### Secondary data

The Secondary data collected has been collected from books, journals, broachers, internet and other secondary sources.

• Official Publications

• Publications Relating to Trade

• Journal/ Newspapers etc

• Industry Associations

In secondary data the balance sheet of both the banks SBI And HDFC for three years 2020-21 to 2022-23 have taken.

# CHAPTER 6

# DATA ANALYSIS

# AND

# INTERPRETATION

## I.   <u>NON-PERFORMING ASSETS RATIOS</u>:-

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

- <u>**GROSS NON-PERFORMING ASSET RATIO:-**</u>

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, A2 for loans given to person number two etc.)

| YEAR | SBI | HDFC |
|---|---|---|
| 2020-2021 | 7.53 | 1.36 |
| 2021-2022 | 6.15 | 1.26 |
| 2022-2023 | 2.78 | 1.26 |
| AVERAGE | 2.76 | 1.34 |

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

24
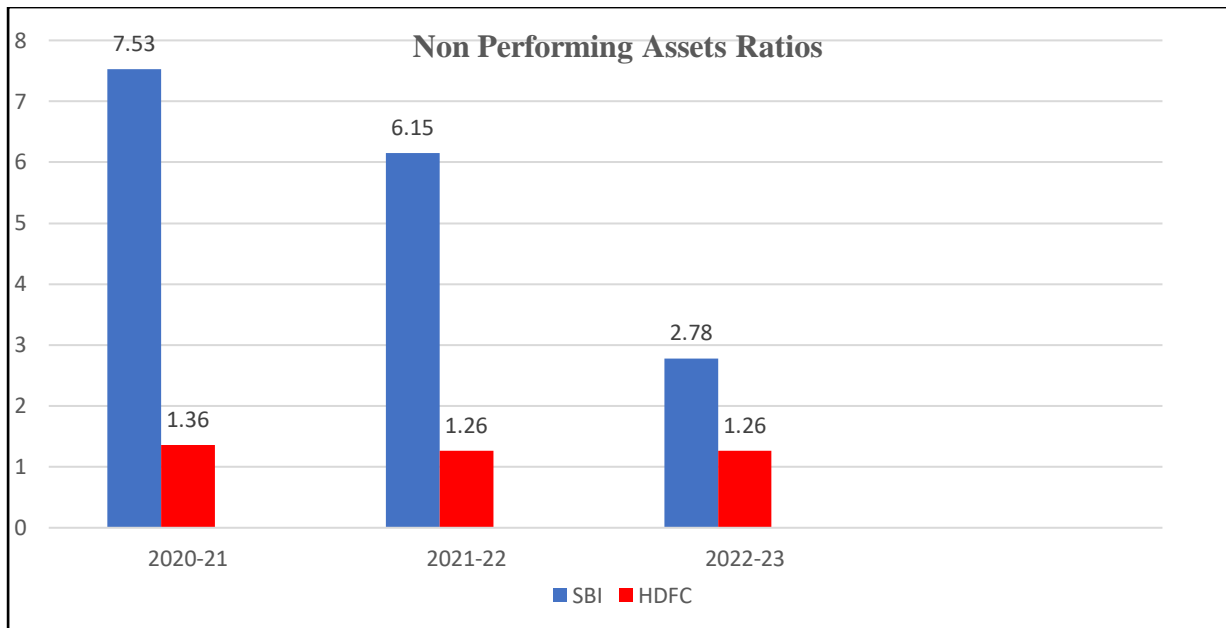
(Graph 1 shows the % of Gross NPAs of SBI and HDFC for last three years)

**INTERPRETATION FROM PAST 3 YEAR NON- PERFORMING ASSETS RATIOS:**

The gross NPA ratio of SBI stood at 7.53 in 2020-21 while that of HDFC was 1.36 in the same year. In 2021-22 the ratio of SBI dropped down to 6.15 and that of HDFC increased to 1.26. In the year 2022-23 the ratio of SBI further dropped down to 2.78 while that of HDFC was 1.26.Sothe average Gross NPA ratio of SBI stood at 2.76 while that of HDFC was much lesser at 1.34, which clearly shows that SBI's asset quality is in very poor shap.
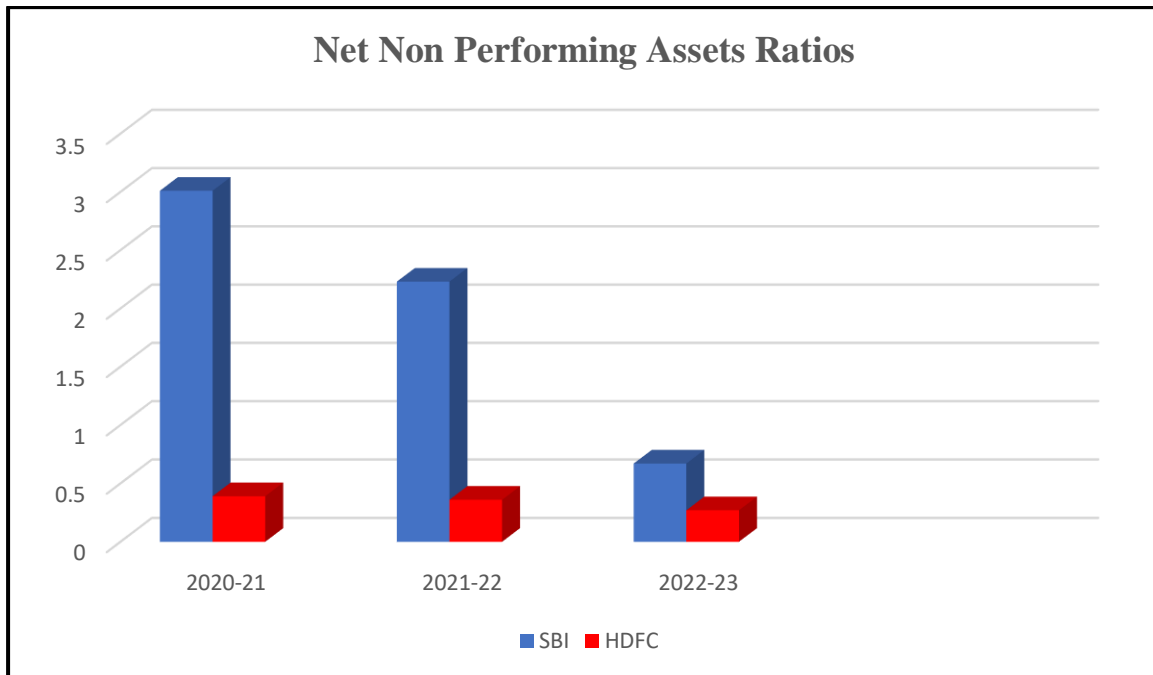
- ## **NET NON PERFORMING ASSESTS RATIO :-**

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 |
|------|------|------|
| 2020-2021 | 3.01 | 0.39 |
| 2021-2022 | 2.23 | 0.36 |
| 2022-2023 | 0.67 | 0.27 |
| AVERAGE | 2.78 | 1.26 |

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

**NIKHAT ZUHI BBA 3<sup>RD</sup> YEAR**

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

**INTERPRETATION FROM PAST 3 YEAR NET NON- PERFORMING ASSETS RATIOS:**

In the year 2020-21, the Net NPA ratio of SBI stood at 3.01 while that of HDFC was much lesser i.e. 0.39. In year 2021-22, the ratio of SBI further dropped to 2.23and that of HDFC was at 0.36. In 2022-23, the ratio again dropped to 0.67 and 0.27 respectively, which shows the Net NPAs gradually started decreasing.

## II. 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.
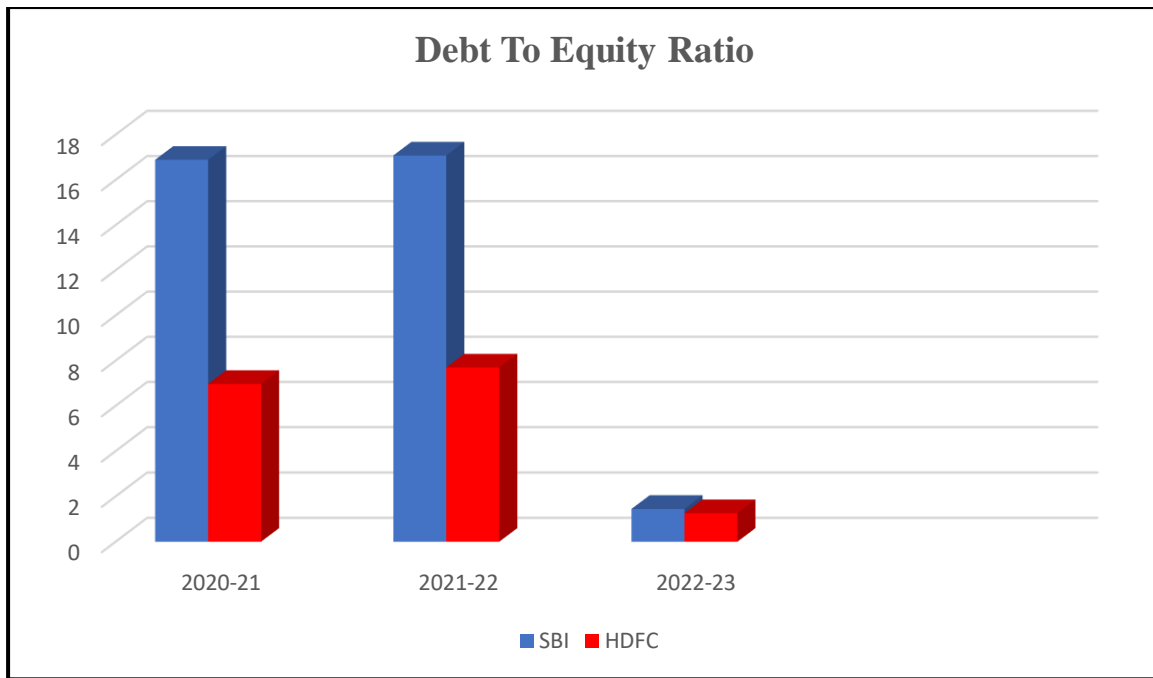
- **Debt to Equity Ratio:-**

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 |
|------|------|------|
| 2020-2021 | 16.89 | 6.97 |
| 2021-2022 | 17.08 | 7.70 |
| 2022-2023 | 1.455 | 1.26 |
| AVERAGE | 1.52 | 1.18 |

(Table 3 showing Debt to Equity Ratio of SBI and HDFC for the last three years

Graph 3 showing Debt to Equity Ratio of SBI and HDFC for the last three years)

**INTERPRETATION FROM PAST 3 YEAR DEBT TO EQUIT**

In the year 2020-21, the debt to equity ratio of SBI is very high at 16.89 and that of HDFC is 6.97. In 2021-22, the DER of SBI increased to 17.08 while that of HDFC decreased to 7.56. Lastly in 2022-23, the ratio further increased to 1.45 and 1.26 respectiveThe average debt to equity of SBI stood at 1.52 and that of HDFC stood at 1.18. 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.

## III.    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 |
|------|------|------|
| 2020-2021 | 8.95 | 15.87 |
| 2021-2022 | -6.65 | 12.66 |
| 2022-2023 | -18.80 | 17.34 |
| AVERAGE | -3.22 | 28.0 |

(Table 4 showing Operating Profit Ratio of SBI and HDFC for the last three years )
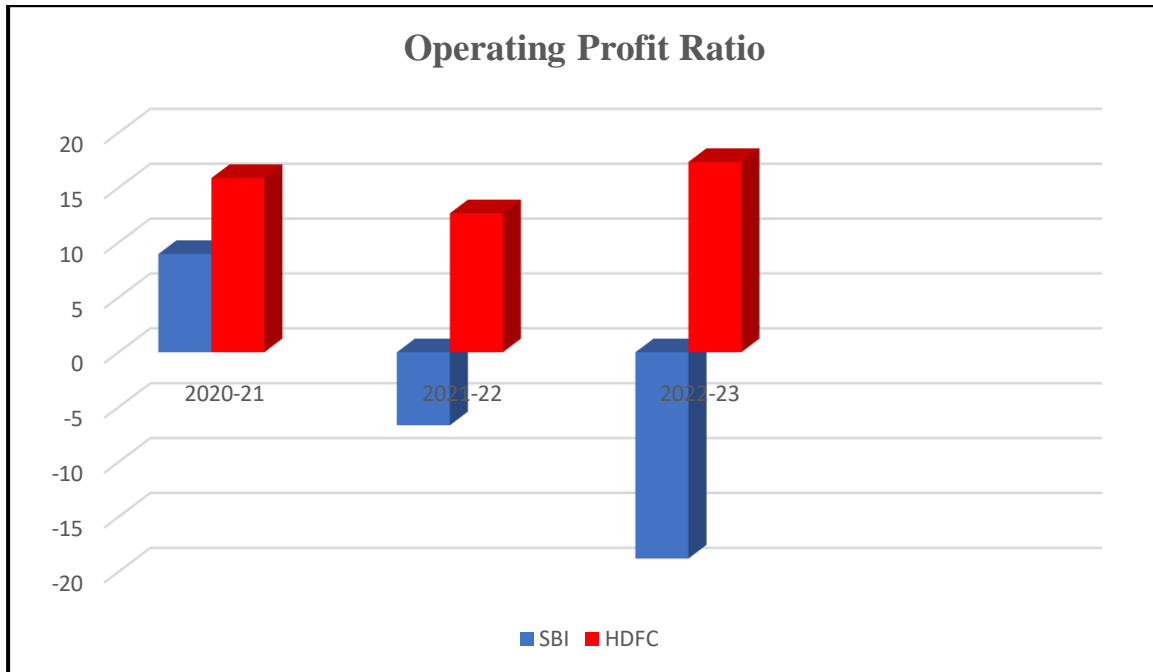
(Graph 4 showing Operating Profit Ratio of SBI and HDFC for the last three years)

**INTERPRETATION FROM PAST 3 YEAR OPERATING PROFIT RATIO:**

In 2020-21, the operating profit ratio of SBI is 8.95 and that of HDFC is much higher at15.87. In the year2021-22, the ratio of SBI stood at -6.65 and that of HDFC at 12.66. In 2022-23, 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 -3.22 and that of HDFC stood at 28.0 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 |
|------|------|------|
| 2020-2021 | 7.62 | 14.72 |
| 2021-2022 | -7.93 | 11.62 |
| 2022-2023 | -3.22 | 9.15 |
| AVERAGE | 9.21 | 16.87 |

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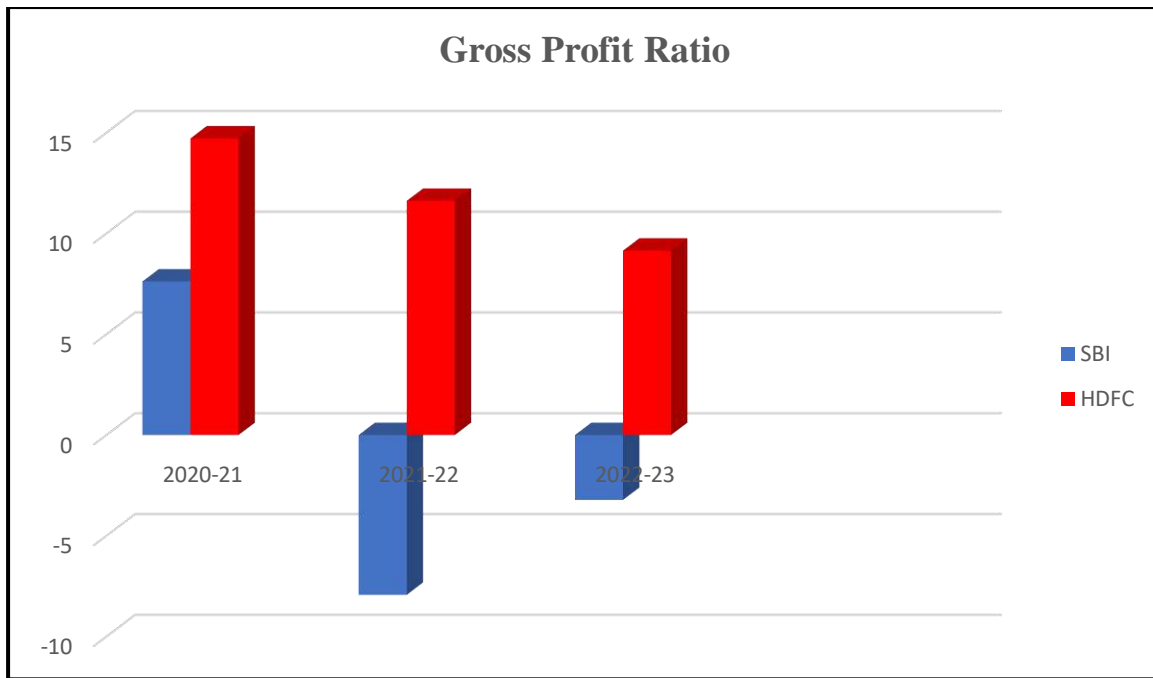
## Gross Profit Ratio



(Graph 5 showing GrossProfit Ratio of SBI and HDFC for the last three years

**INTERPRETATION FROM PAST 3 YEAR GROSS PROFIT RATIO**

In 2020-21,the gross profit ratio of SBI stood at 7.62 whilethatof HDFC stoodat 14.72. In 2021-22, ratio of SBI increased to -7.93 while that of HDFC decreased to 11.62. In 2022-23 SBI had a negative gross profit ratio of -3.22 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 9.21 while that of HDFC was much higher at 16.87 and it suggests that HDFC is successfully producing profits over and above cost.
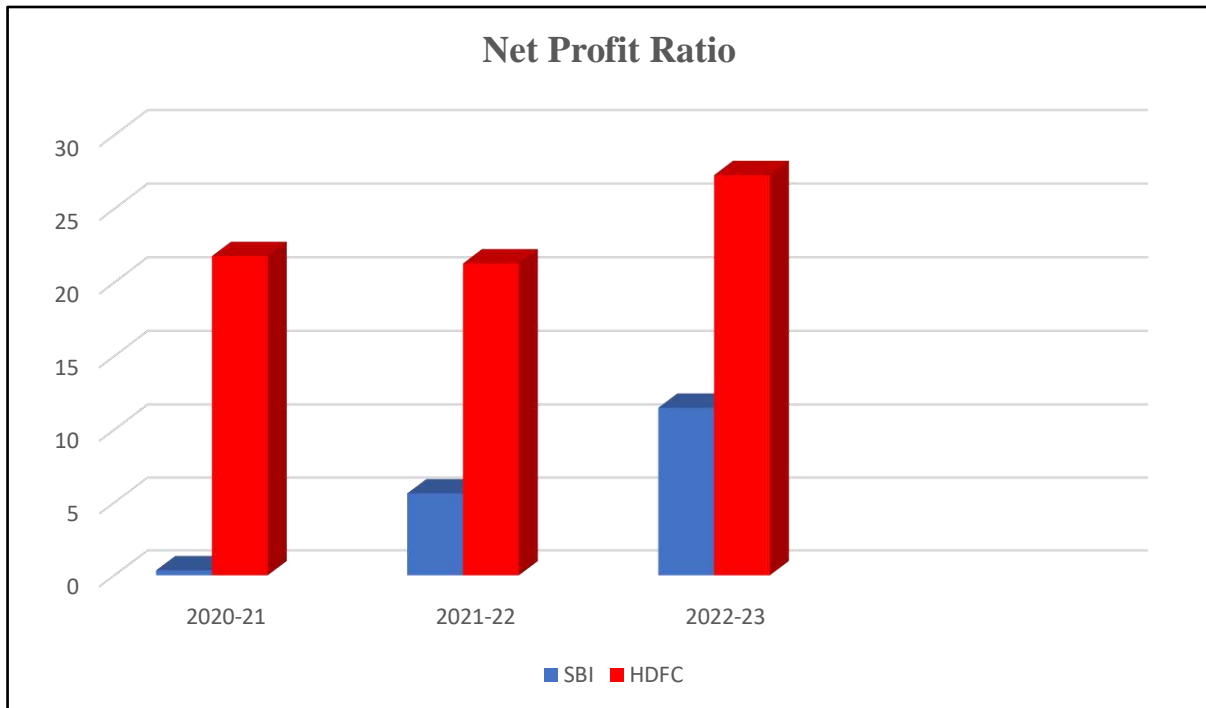
- **Net Profit Ratio:-**

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 |
|------|-----|------|
| 2020-2021 | 0.35 | 21.79 |
| 2021-2022 | 5.63 | 21.29 |
| 2022-2023 | 11.49 | 27.29 |
| AVERAGE | 15.1 | 30.6 |

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

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

**INTERPRETATION FROM PAST 3 YEAR NET PROFIT RATIO**

The net profit ratio of SBI stood at 0.35 at while that of HDFC stood at 21.29 in 2020-21 the ratio of SBI was at 0.35 while that of HDFC was at 21.29. In 2021-22 the net profit ratio of SBI increased to 5.63 while that of HDFC increase to 22.86 in 2022-23. The average net profit ratio of SBI stood at 15.1 while that of HDFC stood at 30.6 which show that SBI is making less money than it is spending and HDFC's overall efficiency is quite good.

**Liquidity Ratio**

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 |
|------|-----|------|
| 2020-2021 | 1.83 | 0.89 |
| 2021-2022 | 1.78 | 0.80 |
| 2022-2023 | 1.38 | 0.52 |
| AVERAGE | 1.18 | 1.63 |

(Table 7 showing Current Ratio of SBI and HDFC for the last three years)
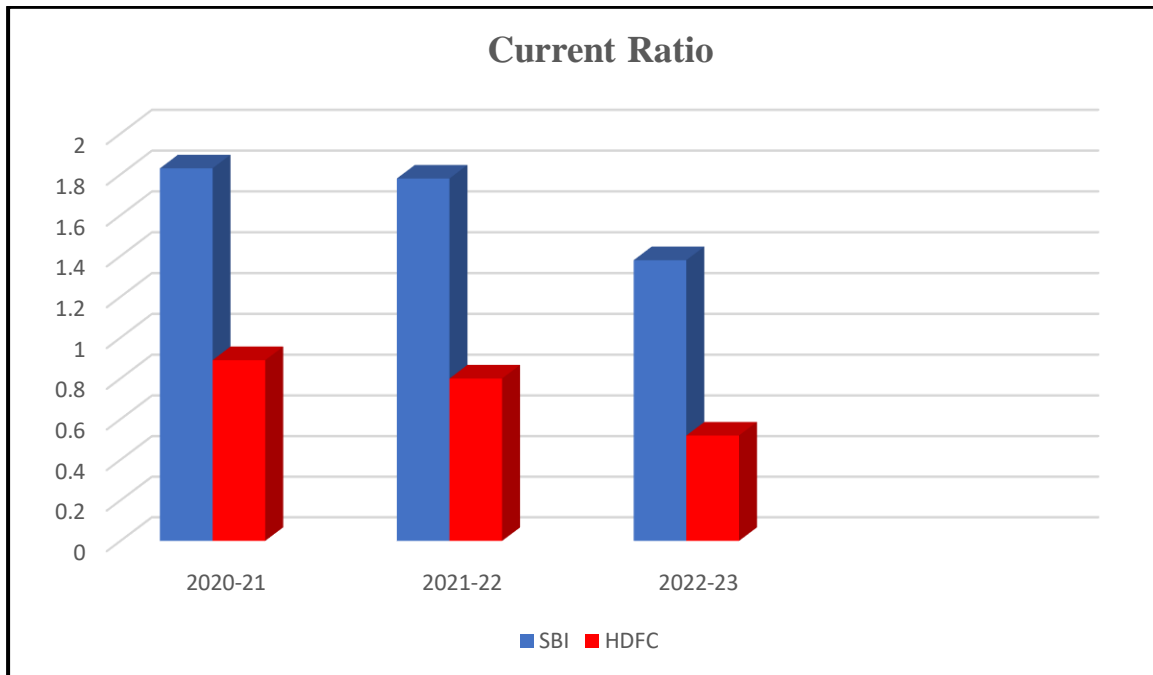
(Graph 7 showing Current Ratios of SBI and HDFC for the last three years)

**INTERPRETATION FROM PAST 3 YEAR CURRENT RATIO**

In 2020-21 the current ratio of SBI stood as 1.83 and that of HDFC stood at 0.89. In2021-22, the ratio of SBI was1.78 and that of HDFC was 0.80.In 2022-23,the ratio stood at 1.38 and 0.52 respectively.

The average of current assets ratio of SBI was 1.18 and that of HDFC was at 1.63 which shows that SBI is more capable in paying its short term obligations.

# CHAPTER 7

# HYPOTHESIS TESTING

## **Hypothesis testing**

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

H0:- 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), H0 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 year.

H1:- there is a 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), H1 is accepted and therefore it is proved that there is a significant relationship between the net NPA ratio of SBI and HDFC bank over the last three years.

# CHAPTER 8
# FINDINGS

# FINDINGS

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).

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# CHAPTER 9
# 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 10
# SUGGESTION

# SUGGESTION

➢ 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.

➢ 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 loans can be re-amortized.

3. Selling any capital assets that are not generating a return to the business (use cash to reduce current debt)

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# CHAPTER 11

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# CHAPTER 12

# ANNEXURE

## BALANCE SHEET OF PREVIOUS 3 YEARS OF SBI BANK

| PARTICULARS | MARCH 2023 | MARCH 2022 | MARCH 2021 |
|---|---|---|---|
| Share Capital | 892 | 892 | 892 |
| Reserves & Surplus | 3,58,039 | 3,04,696 | 2,74,669 |
| Minority Interest | 12,837 | 11,207 | 9,626 |
| Non Current Liabilities | 55,82,650 | 50,44,088 | 45,60,431 |
| Current Liabiltiies | 0 | 0 | 0 |
| Total Liabiltiies | 59,54,418 | 53,60,884 | 48,45,619 |
| Fixed Assets | 45,880 | 41,032 | 41,600 |
| CWIP | 66 | 28 | 116 |
| Investments | 19,13,108 | 17,76,490 | 15,95,100 |
| Other Assets | 39,95,365 | 35,43,334 | 32,08,801 |
| Total Assets | 59,54,420 | 53,60,880 | 48,45,620 |

# **BALANCE SHEET OF PREVIOUS 3 YEARS OF HDFC BANK**

| PARTICULARS | MARCH 2023 | MARCH 2022 | MARCH 2021 |
|---|---|---|---|
| Cash Duefrom Banks | 1,48,366.56 | 1,54,567.98 | 1,25,468.72 |
| Other Earning Assets Total | 5,69,063.13 | 5,69,063.13 | 4,48,692.96 |
| Net Loans | 16,53,249.12 | 14,09,146.10 | 11,71,217.48 |
| Property/ Plant/ Equipment Total-Gross | 21,673.57 | 17,983.21 | 15,456.02 |
| Accumulated Depreciation Total | -13,391.01 | -11,699.93 | -10,356.45 |
| Property/ Plant/ Equipment Total- Net | 8,282.56 | 8,282.56 | 5,099.56 |
| Goodwill Net | 148.79 | 148.79 | 0.01 |
| Other Long Term Assets Total | 7,292.26 | 7,143.82 | 0.55 |
| Other Assets Total | 1,44,030.02 | 83,766.54 | 49,027.35 |
| Total Assets | 25,30,432.44 | 21,22,934.30 | 17,99,506.64 |
| Accrued Expenses | 11,393.84 | 8,241.11 | 8,123.58 |
| Total Deposits | 18,82,663.25 | 15,58,003.03 | 13,33,720.88 |

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| | | | |
|---|---|---|---|
| Total Short Term Borrowings | 11,790.76 | 13,093.74 | 12,424.19 |
| Long Term Debt | 2,56,548.66 | 2,26,966.50 | 1,77,696.75 |
| Total Long Term Debt | 2,56,548.66 | 2,26,966.50 | 1,77,696.75 |
| Total Debt | 2,68,339.42 | 2,40,060.24 | 2,40,060.24 |
| Other Liabilities Total | 77,738.17 | 68,583.34 | 57,098.29 |
| Total Liabilities | 22,40,994.94 | 18,75,608.13 | 15,89,696.46 |
| Common Stock Total | 557.97 | 554.55 | 551.28 |
| Additional Paid- In Capital | 66,539.42 | 63,119.16 | 60,512.68 |
| Retained Earnings( Accumulated Deficit) | 2,20,528.12 | 1,83,072.88 | 1,48,564.19 |
| ESOP Debt Guarantee | 1,117.20 | 340.52 | - |
| Other Equity Total | 694.79 | 239.06 | 182.04 |
| Total Equity | 2,89,437.50 | 2,47,326.17 | 2,09,810.19 |
| Total Liabilities Shareholders' Equity | 25,30,432.44 | 21,22,934.30 | 17,99,506.64 |
| Total Common Shares Outstanding | 557.97 | 554.55 | 551.28 |
| Tangible Book Valueper Share Common Eq | 518.46 | 445.72 | 380.59 |