

A Comparative Study on Financial Wealth and Performance of HDFC Bank and Kotak Mahindra Bank

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ABSTRACT:

Banking Sector play a vital role to decide economic stability of any country. RBI is the Head to regulate banking sectors in India. HDFC Bank and Kotak Mahindra Bank are the two major player in private sector bank in India. Due to pandemic situation banking sectors faced big challenge. The study used to analyse the financial wealth and performance HDFC Bank and Kotak Mahindra Bank ant to compare it. Ratio analysis for Comparative Balance Sheet Analysis and Common size balance sheet Analysis are the used to interpret the financial statement of these two banks. The study concludes that overall performance of HDFC and Kotak Mahindra bank was satisfactory.

Keywords: Banking, Financial Performance, Ratios.

INTRODUCTION:

Finance is a life blood of every business and industries. Financial Statement used to analyse the healthy position of the business. Banking sector's performance reflect overall strength of financial system of any economy and this will impact the performance of the country economy. In India, banking sectors are well regularized by Reserve bank of India (RBI). In India, banking sector was classified (i) Public sector banks, (2) private sector banks, (3) foreign banks, (4) regional rural banks, (5) Urban cooperative banks and (6) Rural cooperative banks in addition to cooperative credit institutions. The asset of the Public sector banks' assets raised at Rs. 72.59 lakh crore (US\$ 1,038.76 billion) in FY19. Deposits move forward at a CAGR of 6.81% during FY16-FY20 and it reached US\$ 1.90 trillion by FY20.

HDFC Bank Ltd.:

HDFC Bank Limited one of leading private banking sector in India. Headquarter was located at Mumbai. It is the one of the largest private sector bank by assets. It is the largest bank in India by market capitalisation as of March 2020. HDFC Bank provides a number of products and services including wholesale banking, retail banking, treasury, auto loans, two-wheeler loans, personal loans, loans against property, consumer durable loan, lifestyle loan and credit cards. Along with this various digital products are Payzapp and SmartBUY.

Kotak Mahindra Bank:

Kotak Mahindra Bank Limited one of leading private banking sector in India. Headquarter was located at Mumbai. Kotak Mahindra Bank offer verity of banking products and financial services for corporate and retail customers. Uday Kotak founder of Kotak Mahindra Bank In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the group's flagship company, received a banking licence from the Reserve Bank of India. With this, KMFL became the first non-banking finance company in India to be converted into a bank

REVIEW OF LITERATURE:

1. Dr. Oshma Rosette Pinto & Mr. Mohammed Hussein Ali Al-Shawesh, (2018), in this study the researcher analysed the Financial Performance ICICI Bank with selected private bank. The researcher applied

Anova and Variance analyse to identify the financial performance. The researcher conclude that ICICI bank achieved a satisfactory level on net profit margin and debt coverage ratio in comparison of ICICI Bank and selected private banks

2. Jaspreet Kaur, Manpreet Kaur and Dr. Simranjit Singh (2016), In his study researcher analysed the performance of selected public sector bank with CAMEL approach. Finally the researcher conclude that Bank of Baroda was leading all aspect of CAMEL approach.

3. M.Sukanya (2019), The researcher analyse five years' financial data of selected bank to identify the performance of the bank with the help of CAMEL parameter. The researcher finally conclude that Kotak Mahindra Bank ranked first among all the banks and Punjab National bank ranked the least position.

STATEMENT OF THE PROBLEM:

Banking sector play a vital role in Indian Economy. Due to COVID 19 and Lock Down many private and public sectors bank faced big challenges. This can be overcome when a bank has good wealth in financial position. In India, HDFC Bank and Kotak Mahindra Bank are major player in Private banking sector and also the top players in bank stock market. The study to reveals wealthy position of these banking sector.

OBJECTIVES OF THE STUDY

- To study and compare financial wealth and performance of HDFC Bank and Kotak Mahindra Bank using ratios, comparative balance sheet and common size statement.
- To offer suggestion based on the finding of this study.

SCOPE OF THE STUDY

The scope of this study is to analyse the performance, wealth of two private banks. The performance of the banks is analysed by examining 5 years' financial data. The result of the will helps to the external users.

RESEARCH DESIGN

- Tools used: Ratio analysis for Comparative Balance Sheet Analysis and Common size balance sheet Analysis
- Sample size: 2 Private Sector Banks – HDFC Bank Ltd. and Kotak Mahindra Bank.
- Time period: For 5 years i.e., from 2016 to 2020.

ANALYSIS AND INTERPRETATION:

Ratio Analysis:

Gross non-performing assets (NPAs):

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
HDFC Bank Ltd.	1	1	1	1	1
Kotak Mahindra Bank	2	2	2	3	2

Interpretation:

High Gross non-performing assets (NPAs) indicate the very poor bank asset quality. The above table clear that both banks has very less Gross non-performing assets (NPAs) means the bank's asset quality is in very good shape. HDFC was here maintain Gross non-performing assets (NPAs) ratio as 1 for last 5 years. Kotak Mahindra Bank also maintained Gross non-performing assets (NPAs) ratio as 2 for last 3 years.

Net Interest Margin

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
HDFC Bank Ltd.	3.67	3.87	3.76	3.83	3.89
Kotak Mahindra Bank	3.74	3.6	3.59	3.78	3.58

Interpretation:

Net Profit margin indicate the difference between the bank pays the interest to deposit and Interest earned from loan. The above table clear that maintain the mean of 5 years Net Interest Margin of HDFC Bank Ltd. And Kotak Mahindra Bank are 3.80 and 3.66 vice versa respectively. Both the banks are in still in safe in

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Net Interest Margin with higher low-cost deposits or high lending rates. Both banks want to take necessary steps to improve Net Interest Margin for fore coming year.

Return on Assets (%)

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
HDFC Bank Ltd.	1.71	1.69	1.64	1.68	1.73
Kotak Mahindra Bank	1.65	1.55	1.54	1.58	1.08

Interpretation:

The above table clear that both banks utilize the assets effectively. Kotak Mahindra Bank ratio keeps on increasing which shows bank utilize the assets effectively

Capital Adequacy Ratios (%)

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
HDFC Bank Ltd.	19	17	15	15	16
Kotak Mahindra Bank	18	17	18	17	16

Interpretation:

The above table clear that, both banks are equally maintaining Capital Adequacy Ratio.

CASA Ratio

	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
HDFC Bank Ltd.	42.18	42.35	43.48	48.03	43.26
Kotak Mahindra Bank	56.35	52.46	50.84	44.34	38.65

Interpretation:

The above table clear that, Kotak Mahindra Bank maintain good percentage of CASA (current account and savings account deposits) in the total deposits of the bank than HDFC Bank Ltd.

Comparative balance sheet of HDFC Bank Ltd. for the year 2020 and 2019

Particular	As at 31-Mar-19 <i>Rs. in '000'</i>	As at 31-Mar-20 <i>Rs. in '000'</i>	Amount Increase/ Decrease	Percentage Increase/ Decrease
I. Current Asset:				
Cash and balances with Reserve Bank of India	46,80,45,896	72,21,10,033	25,40,64,137	54.28
Balances with banks and money at call and short notice	35,01,30,527	15,72,91,086	-19,28,39,441	-55.08
Investments	2,89,44,58,722	3,89,30,49,519	99,85,90,797	34.50
Advances	8,69,22,26,631	10,43,67,08,771	1,74,44,82,140	20.07
Total Current Asset	12,40,48,61,776	15,20,91,59,409	2,80,42,97,633	22.61
II. Fixed Asset				
Premises	1,24,42,198	1,25,34,759	92,561	0.74
Other fixed assets	2,97,56,173	3,37,33,799	39,77,626	13.37
Total Fixed Asset	4,21,98,371	4,62,68,558	40,70,187	9.65
III. Other Asset:	480,996,918	552,876,406	7,18,79,488	14.94
Total Asset (I+II+III)	12,92,80,57,065	15,80,83,04,373	2,88,02,47,308	22.28
IV. Current Liabilities:				
Deposits	9,22,50,26,779	11,46,20,71,336	2,23,70,44,557	24.25
Other liabilities and provisions	58,39,57,956	70,85,36,341	12,45,78,385	21.33
Total Current Liabilities	9,80,89,84,735	12,17,06,07,677	2,36,16,22,942	24.08
V. Long Term Borrowing:				
Borrowings in India	1,237,019,210	1,516,304,315	27,92,85,105	22.58
Borrowings outside India	340,308,580	352,038,916	1,17,30,336	3.45

Total Borrowing	1,57,73,27,790	1,86,83,43,231	29,10,15,441	18.45
VI. Share Capital Fund, Reserve and Surplus				
Equity Shares	5,446,613	5,483,286	36,673	0.67
Reserves and surplus	1,53,12,79,982	1,75,81,03,766	22,68,23,784	14.81
Minority interest	50,17,945	57,66,413	7,48,468	14.92
Total Share Capital Fund, Reserve and Surplus	1,54,17,44,540	1,76,93,53,465	22,76,08,925	14.76
Total Liabilities and Share Holders Fund	12,92,80,57,065	15,80,83,04,373	2,88,02,47,308	22.28

Interpretation:

- Total Current Asset increased at 22.61%
- Total Fixed Asset increased at 9.65%
- Other asset increased at 14.94%
- Overall Total Asset was increased at 22.28%
- Total Current Liabilities increased at 24.08%
- Total Borrowing increased at 18.45%
- Share Capital Fund, Reserve and Surplus increased at 14.76%
- Total Liabilities and shareholders Fund increased to 22.28%
- HDFC Bank Ltd want to concentrate on liabilities side to reduce fore coming year, Asset Part and Share Capital fund generation in positive picture. Overall HDFC bank Performance was Satisfactory.
- Overall comparative balance sheet shows that performance of HDFC Bank Ltd. was satisfactory.

Comparative balance sheet of Kotak Mahindra Bank for the year 2020 and 2019

Particular	As at 31-Mar-19 Rs. in '000'	As at 31-Mar-20 Rs. in '000'	Amount Increase/ Decrease	Percentage Increase/ Decrease
I. Current Asset:				
Cash and Balances with Reserve Bank of India	109,109,235	95,132,346	-1,39,76,889	-12.81
Balances with Banks and Money at Call and Short Notice	203,535,378	545,666,137	34,21,30,759	168.09
Investments	1,034,870,206	1,111,969,130	7,70,98,924	7.45
Advances	2,434,619,939	2,498,789,578	6,41,69,639	2.64
Total Current Asset	3,78,21,34,758	4,25,15,57,191	46,94,22,433	12.41
II. Fixed Asset				
Premises	9,768,463	9,564,395	-2,04,068	-2.09
Other fixed assets	8,911,643	8,888,247	-23,396	-0.26
Leased Fixed Assed	156,984	156,984	0	0.00
Total Fixed Asset	18,837,090	18,609,626	-2,27,464	-1.21
III Other Asset	142,603,103	153,422,770	1,08,19,667	7.59
Goodwill on Consolidation	8,137,530	8,137,530	0	0.00
Total Asset (I+II+III)	3,951,712,481	4,431,727,117	48,00,14,636	12.15
IV. Current Liabilities:				
Deposits	2,248,242,606	2,604,002,077	35,57,59,471	15.82
Other liabilities and provisions	182,084,325	185,499,855	34,15,530	1.88
Total Current Liabilities	2,43,03,26,931	2,78,95,01,932	35,91,75,001	14.78
V. Long Term Borrowing:				
Borrowings in India	548,391,441	587,133,030	3,87,41,589	7.06
Borrowings outside India	11,59,97,942	6,86,34,138	-4,73,63,804	-40.83
Total Borrowing	66,43,89,383	65,57,67,168	-86,22,215	-1.30

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Policyholders' Funds	274,178,120	315,088,169	4,09,10,049	14.92
VI. Share Capital Fund, Reserve and Surplus				
Equity Shares	14,543,774	14,565,192	21,418	0.15
Reserves and surplus	568,253,545	656,776,002	8,85,22,457	15.58
Employees' Stock Options (Grants) Outstanding	20,728	28,654	7,926	38.24
Total Share Capital Fund, Reserve and Surplus	3,95,17,12,481	4,43,17,27,117	48,00,14,636	12.15
Total Liabilities and Share Holders Fund	3,951,712,481	4,431,727,117	48,00,14,636	12.15

Interpretation:

- Total Current Asset increased at 12.41%
- Total Fixed Asset increased at -1.21%
- Other asset increased at 7.59%
- Overall Total Asset was increased at 12.15%
- Total Current Liabilities increased at 14.78%
- Total Borrowing increased at -1.30%
- Share Capital Fund, Reserve and Surplus increased at 12.15%
- Total Liabilities and shareholders Fund increased to 12.15%
- Kotak Mahindra Bank Ltd. want to frame a new strategy to improve the value of Fixed Asset and Long term borrowing, Total liabilities and shares holders fund shows a good ratio percentage for Bank.
- Overall comparative balance sheet shows that performance of Kotak Mahindra Bank was satisfactory.

Common size balance sheet of HDFC Bank Ltd. for the year 2020

Particular	As at 31-Mar-20 <i>Rs. in '000'</i>	Percentage
I. Current Asset:		
Cash and balances with Reserve Bank of India	72,21,10,033	4.57
Balances with banks and money at call and short notice	15,72,91,086	0.99
Investments	3,89,30,49,519	24.63
Advances	10,43,67,08,771	66.02
Total Current Asset	15,20,91,59,409	96.21
II. Fixed Asset		
Premises	1,25,34,759	0.08
Other fixed assets	3,37,33,799	0.21
Total Fixed Asset	4,62,68,558	0.29
III. Other Asset:	552,876,406	3.50
Total Asset (I+II+III)	15,80,83,04,373	100
IV. Current Liabilities:		
Deposits	11,46,20,71,336	72.51
Other liabilities and provisions	70,85,36,341	4.48
Total Current Liabilities	12,17,06,07,677	76.99
V. Long Term Borrowing:		
Borrowings in India	1,516,304,315	9.59
Borrowings outside India	352,038,916	2.23
Total Borrowing	1,86,83,43,231	11.82
VI. Share Capital Fund, Reserve and Surplus		
Equity Shares	5,483,286	0.03
Reserves and surplus	1,75,81,03,766	11.12
Minority interest	57,66,413	0.04
Total Share Capital Fund, Reserve and Surplus	1,76,93,53,465	11.19
Total Liabilities and Share Holders Fund	15,80,83,04,373	100

Interpretation:

- Overall Total Asset, Current asset contribute 96.21% which is highest contribution in the Asset part.
- Overall Liabilities and shareholders fund, Current liabilities contribute 76.99% which is highest contribution in the Liability part.

Common size balance sheet of HDFC Bank Ltd. for the year 2019

Particular	As at 31-Mar-19 <i>Rs. in '000'</i>	Percentage
I. Current Asset:		
Cash and balances with Reserve Bank of India	46,80,45,896	3.62
Balances with banks and money at call and short notice	35,01,30,527	2.71
Investments	2,89,44,58,722	22.39
Advances	8,69,22,26,631	67.24
Total Current Asset	12,40,48,61,776	95.95
II. Fixed Asset		
Premises	1,24,42,198	0.10
Other fixed assets	2,97,56,173	0.23
Total Fixed Asset	4,21,98,371	0.33
III. Other Asset:	480,996,918	3.72
Total Asset (I+II+III)	12,92,80,57,065	100
IV. Current Liabilities:		
Deposits	9,22,50,26,779	71.36
Other liabilities and provisions	58,39,57,956	4.52
Total Current Liabilities	9,80,89,84,735	75.87
V. Long Term Borrowing:		
Borrowings in India	1,237,019,210	9.57
Borrowings outside India	340,308,580	2.63
Total Borrowing	1,57,73,27,790	12.20
VI. Share Capital Fund, Reserve and Surplus		
Equity Shares	5,446,613	0.04
Reserves and surplus	1,53,12,79,982	11.84
Minority interest	50,17,945	0.04
Total Share Capital Fund, Reserve and Surplus	1,54,17,44,540	11.93
Total Liabilities and Share Holders Fund	12,92,80,57,065	100

Interpretation:

- Overall Total Asset, Current asset contribute 95.95% which is highest contribution in the Asset part.
- Overall Liabilities and shareholders fund, Current liabilities contribute 75.87% which is highest contribution in the Liability part.

Common size balance sheet of Kotak Mahindra Bank for the year 2020

Particular	As at 31-Mar-20 <i>Rs. in '000'</i>	Percentage
I. Current Asset:		
Cash and Balances with Reserve Bank of India	95,132,346	2.15
Balances with Banks and Money at Call and Short Notice	545,666,137	12.31
Investments	1,111,969,130	25.09
Advances	2,498,789,578	56.38
Total Current Asset	4,25,15,57,191	95.93

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II. Fixed Asset		
Premises	9,564,395	0.22
Other fixed assets	8,888,247	0.20
Leased Fixed Assed	156,984	0.004
Total Fixed Asset	18,609,626	0.42
III Other Asser	153,422,770	3.46
Goodwill on Consolidation	8,137,530	0.18
Total Asset (I+II+III)	4,431,727,117	100
IV. Current Liabilities:		
Deposits	2,604,002,077	58.76
Other liabilities and provisions	185,499,855	4.19
Total Current Liabilities	2,78,95,01,932	62.94
V. Long Term Borrowing:		
Borrowings in India	587,133,030	13.25
Borrowings outside India	6,86,34,138	1.55
Total Borrowing	65,57,67,168	14.80
Policyholders' Funds	315,088,169	7.11
VI. Share Capital Fund, Reserve and Surplus		
Equity Shares	14,565,192	0.33
Reserves and surplus	656,776,002	14.82
Employees' Stock Options (Grants) Outstanding	28,654	0.001
Total Share Capital Fund, Reserve and Surplus	4,43,17,27,117	15.15
Total Liabilities and Share Holders Fund	4,431,727,117	100

Interpretation:

- Overall Total Asset, Current asset contribute 95.93% which is highest contribution in the Asset part.
- Overall Liabilities and shareholders fund, Current liabilities contribute 62.94% which is highest contribution in the Liability part.

Common size balance sheet of Kotak Mahindra Bank for the year 2019

Particular	As at 31-Mar-19 <i>Rs. in '000'</i>	Percentage
I. Current Asset:		
Cash and Balances with Reserve Bank of India	109,109,235	2.76
Balances with Banks and Money at Call and Short Notice	203,535,378	5.15
Investments	1,034,870,206	26.19
Advances	2,434,619,939	61.61
Total Current Asset	3,78,21,34,758	95.71
II. Fixed Asset		
Premises	9,768,463	0.25
Other fixed assets	8,911,643	0.23
Leased Fixed Assed	156,984	0.004
Total Fixed Asset	18,837,090	0.48
III Other Asser	142,603,103	3.61

Goodwill on Consolidation	8,137,530	0.21
Total Asset (I+II+III)	3,951,712,481	100
IV. Current Liabilities:		
Deposits	2,248,242,606	56.89
Other liabilities and provisions	182,084,325	4.61
Total Current Liabilities	2,43,03,26,931	61.50
V. Long Term Borrowing:		
Borrowings in India	548,391,441	13.88
Borrowings outside India	11,59,97,942	2.94
Total Borrowing	66,43,89,383	16.81
Policyholders' Funds	274,178,120	6.94
VI. Share Capital Fund, Reserve and Surplus		
Equity Shares	14,543,774	0.37
Reserves and surplus	568,253,545	14.38
Employees' Stock Options (Grants) Outstanding	20,728	0.001
Total Share Capital Fund, Reserve and Surplus	58,28,18,047	14.75
Total Liabilities and Share Holders Fund	3,951,712,481	100

Interpretation:

- Overall Total Asset, Current asset contribute 95.71% which is highest contribution in the Asset part.
- Overall Liabilities and shareholders fund, Current liabilities contribute 61.50% which is highest contribution in the Liability part.

Suggestion

The Financial statement provides the healthy position of the company. HDFC bank need to develop policies to increase CASA ratio and to manage liabilities to reduce fore coming year. Kotak Mahindra need to control non-performing asset, and need to concentrate more to increase value of fixed asset. HDFC Bank and Kotak Mahindra Banks ratio analysis, comparative statement and common size balance sheet proves that both banks performance are satisfactory.

Conclusion

The study is based on comparative financial statement analysis of two growing and emerging private sector banks; HDFC BANK and KOTAK MAHINDRA BANK during the year 2016-2020. The financial analysis assisted in better understanding of banks, their financial position, growth and performance. The study shows that the financial situations of both the banks are very good. Thus the overall performance of the banks was strangely good which indicates a upcoming growth of financial position as well as the profitability.

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