

An Analysis the Private Sector Life Insurance Compares with Special Reference to HDFC

Ashish Kumar Jha^{1*} Dr. Rajeev Choubey²

¹ Research Scholar, Swami Vivekanand University, Sagar, MP

² Swami Vivekanand University, Sagar, MP

Abstract – *HDFC is one of the major private sector banks having unique standing among the other financial institutions. It provides a broad variety of goods, facilities & distribution capacities under the umbrella product. It has thus made a remarkable contribution to the overall development of the economy. HDFC bank is the India's largest private sector bank and lender by assets. The major aim of HDFC is provide a wide range of improved financial products & services to various sectors of economy, which results in improving and broadening the financial portfolio across customer base. HDFC bank has announced to become a second major private sector bank in India.*

Key Words – *Banking, Financial Institution, HDFC, Profitability*

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INTRODUCTION

Banking is a financial institution that offers banking and some other financial services to its customers. A bank is commonly recognized as an organization offering vital financial facilities, including taking deposits and issuing loans. There are also non-financial institutions that offer other financial facilities without compliance with the formal concept of a bank. Banks are a part of the financial services market. The banking service is often referred to as a network operated by the bank that offers cash processing services to clients, recording deposits to their balances and investments during the day. The banking sector in India will not only be safe from problems, but must be able to face the current obstacles raised by technology and every other external & internal consideration. India's banking sector has had many excellent credit successes during the last three decades. The banks are the key actors of India's financial sector. The banking industry provides a range of services and incentives to its customers. Both banks secure capital and valuables and offer deposits, insurance, and payment systems, including check accounts, money orders, and cash checks. Investment and protection plans are also sold by the banks. When a variety of models for collaboration and convergence between finance sectors have arisen, some of the common divisions between banks, insurance companies and brokerage firms have decreased. Notwithstanding these shifts, banks tend to retain and play their main role — acknowledging deposits and raising funds from these deposits.

HDFC Ltd. was established in 1977 with main objective to promote housing ownership by provide long term housing loans. It was a pioneer corporation and still one of the leading brands in housing loan in India. HDFC was aimed to attain this reputation by means of professionalism, integrity and outstanding service to its customers. Over the year HDFC bank has expanded its financial services including banking, life & non-life insurance, asset management, real estate venture capital and recently education loans. At HDFC "Corporate Social Responsibility" has been the basic philosophy which inculcates "learning by doing." So far it is recognized as the best managed companies and plays a role model for developing countries and housing finance markets. This is the reason that HDFC bank has expanded its horizon to Asia, Africa and east Europe to guide and establish their housing finance institution.

HDFC Bank was started after the principal approval from RBI in August 1994 is the name of HDFC Bank Ltd. With its registered office in Mumbai which was inaugurated by Mr. Manmohan Singh, who was the Finance Minister at that time. HDFC launched operations in 1995 with a basic project "World Class Indian Bank" since, with a sole emphasis on product quality, 84,325 employees & spread to Bahrain, Hong Kong & Dubai.

Today, India is India's biggest private-sector investor. In 2016, Brands rated 69 among the Top 100 most successful global products. As of June 30, 2017, 4,715 branches, 12,260 ATMs have been established in 2,657 cities & towns. It has issued

HDFC includes Equity capital, Borrowed capital, Deposits and other resources.

a) **Capital Structure:-** The capital structure of HDFC like any other financial institution constitutes with two main sources and they are:-

- Equity capital.
- Borrowed capital.

Authorized Capital:- This is the maximum capital that the company is authorized to raise and this amount is stated in the Memorandum of Association. This is also described as, 'Registered capital' or 'Nominal capital'.

Subscribed Capital:- Subscribed capital applies to that portion of the stock provided that has subscribed by shareholders & which has also been assigned to the representatives of the business.

Table: 1 Equity Capital



In order to understand the working style of HDFC we are taken into account to discuss the following issues as below:-

- ### A. Financial working of HDFC:-

(Rs. in 000)								
S.N	Particulars	2011	2012	2013	2014	2015	2016	2017
1	Authorized capital (equity shares of Rs.2 each)	5500000	5500000	5500000	5500000	5500000	5500000	6500000
2	Issued, subscribed and paid up capital (equity shares of Rs.2 each)	4652257	4693377	4758838	4790101	5012991	5056373	5125091
	Total Capital	4652257	4693377	4758838	4790101	5012991	5056373	5125091

1) **Sources of Funds of HDFC:-** The main components in terms of sources of funds of

The Authorized Capital of HDFC shown in the table 4.1, remain same from the year 2011 to 2016 i.e. Rs. 5500000000 (equity shares of Rs. 2 each) But in the year 2017 it was extended by Rs. 6500000000 (equity shares of Rs. 2 each) because the investors and customers have got trust in HDFC due to which they want to invest in the equity share capital of HDFC. That's why the bank extended its authorized capital from Rs.5500000000 to 6500000000. With the permission of Central Bank of India i.e. RBI. The issued, subscribed & paid up capital (equity shares of Rs. 2 each) is shown in the table as:- Rs. 4652257000 in 2011, Rs. 4693377000 in 2012, Rs.

4758838000 in 2013, Rs. 4798101000 in 2014, Rs. 5012991000 in 2015, Rs. 5056373000 in 2016, Rs. 5125091000 in 2017. This shows an rising trend in the issued, subscribed & paid up capital of HDFC.

Borrowed Capital:-

It comprises of capital that is lent & utilized to create an expenditure. It ranges from the resources of the company & its owners. Borrowed capital includes the capital borrowed from RBI, other institutions and agencies, Bonds and debentures and upper and lower tier-II capital. Borrowed capital of HDFC is divided into two parts –

1. Borrowings in India.
2. Borrowings outside India

Table 2 Borrowed Capital

(Rs. In 000)

S. No.	Particulars	2011	2012	2013	2014	2015	2016	2017
1	Borrowings in India:-							
	(i) Reserve Bank of India	1200000	400000	2750000	---	---	31950577	---
	(ii) Other Banks	7050564	8693256	7246758	14937256	14937256	15792856	21202156
	(iii) Other institutions and agencies	5270356	2832125	2499208	---	3000000	---	22450000
	(iv) Upper and lower tier-II capital and innovative perpetual debts	6947100	10596900	16043900	16043900	15629000	14427900	13182000
	(v) Bonds and debentures (excluding subordinated debts)	---	---	---	---	---	59750000	126750000
	Total	8699100	16124081	14425908	17975256	20153456	59928803	16027256
2	Borrowings outside India	8680000	9522000	10120000	21901000	24990000	8000000	25000000
	Total	14349000	25646081	24545908	39876256	45143456	67928803	41027256

Source:- Annual Reports of HDFC from year 2011 to 2017.

I. Borrowings in India includes:-

i) Borrowings from Reserve Bank of India:-

Borrowings from RBI in 2011 is Rs. 1200000000, in 2012 Rs. 400000000 in 2013 Rs. 2750000000, in year 2014, 2015 there is no relevant data, in year 2016 Rs. 31950577000 and in year 2017 there is an absence of relevant data. The data in the table above shows an irregular fluctuation from the year 2011 to 2013 in year 2012 there is a decrease in the borrowings from RBI but in year 2013 there is an enhance in the borrowings and in the year 2016 there is also an boost in the borrowings from RBI. This shows that customers have got trust in HDFC so they were demanding more services from the bank, to fulfill these demands the bank has to initialize its capital through borrowings.

ii) Borrowings from other banks:-

The table shows an irregular fluctuation in the borrowings from other banks, in year 2011 the borrowings are Rs. 7050564000, in year 2012 the borrowings are increased i.e. Rs. 8693256000 in year 2013 Rs. 7246758000 there is a decrease in borrowings, in year 2014 Rs. 14937256000 there is

an increase in borrowings, in year 2015 Rs. 14851586000 there is a decrease in borrowings. In year 2016 Rs. 15792856000 and in the year 2017 Rs. 21202156000 shows an increasing trend in the borrowings from other banks.

iii) Other Institution and Agencies:-

The table shows an irregular fluctuation in the borrowings from other institutions and Agencies. In year 2011 the borrowings are Rs. 9270356000, in year 2012 Rs. 28182425000 there is an increase in borrowings, in year 2013 Rs. 24390200000 there is a decrease in borrowings, in year 2014 there is no relevant data, in year 2015 Rs. 30000000000 there is an increase in borrowings, in year 2016 there is no relevant data, in year 2017 Rs. 22450000000. This shows an increasing trend in borrowings from other institutions and agencies.

iv) Upper and lower tier-II capital and innovative debts :-

Capital reserves are listed as Tier-I capital & Tier-II capital under the capital adequacy scheme. Tier-I capital comprises paid-up inventory, legislative assets, other unrecognised assets, inventory securities & qualifying revolutionary perpetual debt instruments (Tier-I bonds) as set forth in the regulatory guidelines. Tier-II capital components comprise revaluation provisions if any, instrument reserves, general protections on regular properties, floating requirements, upper-tier II instruments & subordinated debt instruments (lower Tier-II bonds) qualified for incorporation in Tier-II stock. As shown in the table above there is an irregular fluctuation in upper and lower tier-II capital. In the year 2011 the capital was Rs. 69471000000. It was increased in the year 2012 and 2013 i.e. Rs. 105969000000 and Rs. 160439000000 respectively but in the year 2014 there was no change in the upper and lower tier-II capital. It remains same as in the year 2013 i.e. Rs. 160439000000. Whereas in the year 2015 there was a significant decrease in capital i.e. Rs. 15629000000. In the year 2016 there was an increase in the capital i.e. Rs. 144279000000. But in the year 2017 there was again a decrease i.e. Rs. 131820000000.

v) Bonds and Debentures (Excluding subordinated debt) :-

Bonds and Debentures are the long-term financial instruments which acknowledge a debt obligation towards the issuer. The table shows that there is an rising trend in the Bonds and debentures in the year 2016-2017. In year 2016 there was Bonds and debentures of Rs. 59750000000. Whereas it was increased in the year 2017 i.e. Rs. 126750000000. From the year 2011 to 2015 there was no relevant data regarding bonds and debentures.

II. Borrowings outside India:-

HDFC borrowed capital also by abroad. The following table shows that there is an increasing trend pattern from the year 2011 to 2016, in the borrowings outside India i.e. Rs. 56948690000 in 2011, Rs. 95220405000 in 2012, Rs. 135240014000 in 2013, Rs. 219013662000 in 2014, Rs. 250984996000 in 2015, and Rs. 310362890000 in 2016 respectively. From 2011 to 2016 there was an increasing trend in the borrowed capital, this shows a positive picture of financial working of HDFC Bank because borrowed capital is better than equity capital due to following reasons:-

- Debt is usually less expensive than giving up equity.
- Debt can be cheaper than your opportunity cost.
- Paying interest on debt reduces tax burden.
- Debt encourages a discipline about spending and investing that can help the company especially in its growth years.

III) Investment:-

In general, investment is to distribute capital in hopes of any gain in the future. For retired-investment in durable products, in real estate by the service sector in factories or in financial properties. The investment gain is considered a profit. The return may include capital gains or capital gains, including dividends, interest, rental income, etc. Transactions in each of these sections are further divided into six groups- Government Securities, Other Authorized Securities, Stock, Duties & Loans, Investment in subsidiaries, Joint ventures & other transactions. Investment of the HDFC bank comprises two forms of investment:-

- Investment in India.
- Investment outside India.

A. Investment in India:-

Involve investment in Government securities, other approved securities, shares, debentures & bonds, investment in associates and investment in others (Units, CDs, CPs, PTCs, and security receipts.)

- Government Securities:-** Government securities have long been used as an investment choice ideal only for corporations, financial companies & businesses. These are issued by RBI on behalf of Government of India and state governments in India.

Table 2 Investment

Particulars	2011	2012	2013	2014	2015	2016	2017
A. Investment in India in:-							
(i) Government Securities	530512756	762178489	640823184	946400171	1285962956	1576410055	1624150994
(ii) Other Approved Securities	4906	4559	—	—	—	—	—
(iii) Shares	934931	836886	1244692	1347904	1284423	868214	1219528
(iv) Debentures and bonds	5347872	9626480	17260637	27161837	11254759	48882174	187856872
(v) Investment in Associates	7450991	7548199	7548199	15413909	27628563	614020	402955
(vi) Others (Units, CDs, CPs, PTCs and Security receipts)	15813090	194626848	23628113	209899161	499289131	295819657	282824625
TOTAL	788489347	9748232061	1111184787	1280244982	1653548845	1921611720	1886590974
B. Investment outside India in:-							
Other Investments:-							
(i) Shares	8033	6033	9396	9396	9396	28375	28375
(ii) Debentures and bonds	878276	—	5021779	9206325	11049236	13689380	11151771
Total	884309	6033	5851166	9215721	11058632	13726755	11180146
TOTAL	799333656	9748232061	1116185953	1289510703	1664607477	1935338475	1897771120

Source :- Annual Reports of HDFC from year 2011 to 2017

3. Profitability of HDFC

Profitability is an measure of the profitability of the service of the company. Bad operational output can mean poor sales and thus poor income. Higher profitability can occur due to a lack of control over costs. Bankers, financial firms and other investors interpret the productivity levels as an measure of whether or not a company receives slightly more than it charges interest on the usage of borrowing funds and if the eventual redemption of its debt tends to be fairly secure. Owners are curious to learn the productivity because it shows the return they will create on their expenditure. PBT & PAT are the good indicators of the profitability of any financial institution.

Table 3 Profitability of HDFC

Particulars	2011	2012	2013	2014	2015	2016	2017
Profit before Tax	5818.66	7513.15	9750.62	12772.05	15328.73	18637.94	22139.09
(Less Provision for Taxation)	1892.26	2346.08	3024.34	4293.67	5112.80	6341.71	7589.43
Profit After Tax	3926.40	5167.07	6726.28	8478.38	10215.92	12296.23	14549.66

Source :- Annual Reports of HDFC from year 2011 to 2017

Profit before Tax:-

As shown in the table the profit before tax of HDFC bank shows an increasing pattern. It depicts that the business of HDFC increased and it earns a good return of its investment. The data regarding profit before tax over the period of study i.e. from 2011 to 2017 are as under- in 2011 Rs. 5818.66 crore, in 2012 Rs. 7513.15 crore, in 2013 rs. 9750.62 crore, in 2014 Rs. 12772.05 crore, in 2015

Rs. 15328.72 crore, in 2016 Rs. 18637.94 crore and in 2017 Rs. 22139.09 crore.

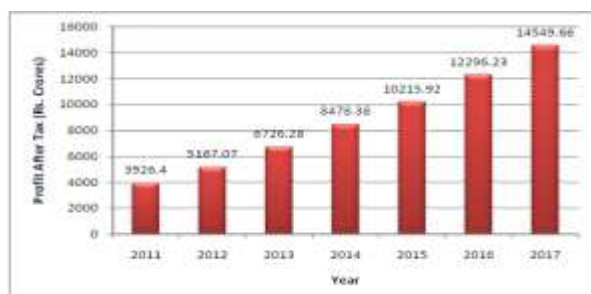
Profit after Tax:-

As shown in the table the data regarding profit after tax shows an increasing pattern because HDFC bank earns a good return on its investment. Profit after tax is calculated by deduction the amount of provision for taxation from PBT (Profit before tax)

$$PAT = (PBT - \text{Provision for Taxation})$$

The data regarding the profit after tax over the period of study i.e. from 2011 to 2017 are as under- in 2011 Rs. 392640 crore, in 2012 Rs. 5167.07 crore, in 2013 rs. 6726.28 crore, in 2014 Rs. 8478.38 crore, in 2015 Rs. 10215.92 crore, in 2016 Rs. 14549.66 crore.

Chart 1 PROFIT AFTER TAX (RS. CRORE)



Source :- Annual Reports of HDFC from year 2011 to 2017.

Table:- 4 Key Financial Ratios of HDFC Bank

S.N	Ratio	2011	2012	2013	2014	2015	2016	2017
1	Earning per share (Rs.)	17.00	22.11	28.40	33.47	42.15	48.84	57.18
2	Return on average net worth	16.52%	18.37%	20.07%	20.88%	20.36%	17.97%	18.04%
3	Dividend per share (Rs.)	3.30	4.30	5.50	6.85	8.00	9.50	11.00
4	Dividend payout ratio	22.72%	22.70%	22.77%	22.68%	23.62%	23.51%	23.32%
5	Book value per share (Rs.)	109.09	127.52	152.20	151.23	247.39	287.47	340.12
6	Market price per share (Rs.)	469.17	510.85	623.35	748.80	1022.70	1077.15	1442.55
7	Price to earnings ratio	27.59	23.31	21.85	21.11	34.26	21.93	25.23
8	Capital Adequacy ratio	16.2%	16.52%	16.80%	16.07%	16.79%	15.53%	14.55%
9	No. of equity shares	2750000000	2750000000	2750000000	2750000000	2750000000	2750000000	3250000000

Source :- Annual Reports of HDFC Bank from 2011 to 2017

RESEARCH METHODOLOGY

In this study we convey the grounds for present study, set down the objectives, and confirm the research design, choice of the sector, location of study, sampling technique and methods of data compilation and investigation. It is followed by sharing of ethical considerations and limitations in our research effort.

PERIOD OF STUDY:

The period of seven-year has been taken to measure the financial performance of HDFC bank. For the comparative analysis of performance of various other financial institutions with HDFC Bank, the period of 4 years i.e., from 2013-14 to 2016-17 has been taken by the researcher. This research is of an analytical type to investigate the trend of work on finance and other non-financial concerns and their effect on the profitability of the HDFC bank.

COLLECTION OF DATA: In dealing with any research problem it is usually found that there is insufficient data in hand, and hence, it becomes required to collect data that are appropriate. There are numerous methods of collecting the appropriate data. While collecting data the researcher has to consider various issues such as money cost, time and other resources.

Secondary Data: Secondary Data means the data that are already available i.e., people refer to the data that have collected and explained by someone else & previously been passed through mathematical process. Normally, declared data are obtainable in :

- Various publications of central, state or regional governments.
- Technical & trade journals
- Books, magazines, and newspapers
- Reports prepared by the research scholars, universities, economists, etc. in different fields

There are many sources of unpublished data; they can be found in diaries, letters, unprinted biographies and journals, and can also be available with learners and the research workers, trade associations, labor bureaus and different public/private individuals and corporations. The secondary data for study collected from various journals, magazines, research reports, books, newspapers, publications of the central and state government's reports and yearly reports of various banks under study and also from various websites of respective banks. The current research draws on secondary data taken from the year-end accounts of the HDFC bank & other banks in the sense of this analysis.

SAMPLE DESIGN:

The present study is devoted to analyze and evaluate the role of financial institution like IFCI, ICICI, SIDBI and specially HDFC in the economic development of India. HDFC is selected as a model for conducting the present study. These financial institutions are engaged in providing financial

assistance to various sectors according to their needs. They also provide the rehabilitation and refinance facilities. The key aim of this research is to assess the financial success of the different financial institutions with particular regard to HDFC Raipur in the economic growth of India during the study time.

OBJECTIVES OF THE STUDY

1. To explore the working and management of HDFC bank.
2. To study the organizational structure of the HDFC Bank.

TOOLS & TECHNIQUES FOR ANALYSIS

The researcher uses various styles of instruments and techniques to satisfy the criteria of this analysis. The data gathered were carefully compiled, organized and analyzed using all sorts of correct accounting formulas and mathematical techniques. The researcher shall select the measurement methodology in compliance with the criteria and on the basis of the available evidence. Ratios analysis has been used as a technique; this is used for the study of the financial results of the company chosen, i.e. HDFC Bank.

CONCLUSION

HDFC is one of the major private sector banks having unique standing among the other financial institutions. It offers a wide range of products, services and distribution capability under an umbrella brand. Thus it has remarkable contribution in the overall growth of the economy. The study revealed that the payment of interest had increased in all the financial institution during the period 2015-16 to 2016-17. HDFC improves its practices by way of offering better products, enhanced technology, service levels, management of risks, audit and compliance. It improves its services to retail and wholesale customers. HDFC bank focuses on its people and believes that they are a significant competitive strength for it. The study finds out the overall working and management of HDFC is good, effective and efficient.

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Corresponding Author

Ashish Kumar Jha*

Research Scholar, Swami Vivekanand University,
Sagar, MP