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Financial Forecasting and Scheduling at Housing Development Finance Corporation Limited (HDFC) With a Special Reference to Tamil Nadu

Y.Irshad Ahmed[1], M.Shuaib Ahmed[2]

[1]Research Scholar Department of Management studies
Kongu Engineering College, Perundurai -Erode (India).
[2]Research Scholar Department of Commerce
C.Abdul Hakeem College, Melvisharam- Vellore.(India)

ABSTRACT

The financial management deals with short term items and long term items. It is huge for every financial analyst in which the working capital has the special in present day of industrial function. The important aspect is the estimation of how much cash, stock and other liquid assets of the firm can keep operating day to-day function. Here, financial analysis helps the management to make the best use of its financial strength and to spot out the financial weakness to take corrective actions. Thus, it could be stated that it is starting point for using any sophisticated forecasting a planning procedures. Business finance mainly involves, rising of funds and their effective utilization keeping in view the overall objectives of the firm. This requires great caution and wisdom on the part of management. Forecasting in financial management is used to estimate firm future financial needs. If the financial manager has not attempted to anticipate his firm's future financing requirements, then a crisis occurs every time the firms cash inflows fall below its cash outflow. Planning for growth, it means that the financial manager can anticipate the firms financing requirements and plan for them well in advance of the needs. Financial planning is essentially concerned with the economical procurement and profitable use of funds a use which determined by realistic investment decisions. The main function of bank is accepting deposits and lending money to the people. The percentage of credit to working capital and deposit is showing an increasing trend, during this study period.

Key words*: *Scheduling, forecasting, Identifying & Financing

I.INTRODUCTION

The financial management deals with short term items and long term items. It is immense for every financial analyst in which the working capital has the special in present day of industrial function. The important aspect is the estimation of how much cash, stock and other liquid assets of the firm can keep operating day to-day function. The financial management deals with short term items and long term items. It is immense for every financial analyst in which the working capital has the special in present day of industrial function. The important aspect is the estimation of how much cash, stock and other liquid assets of the firm can keep

operating day to-day function. Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the item of the balance sheet and profit and loss account.

Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation." Forecasting in financial management is used to estimate firm future financial needs. If the financial manager has not attempted to anticipate his firm's future financing requirements, then a crisis occurs every time the firms cash inflows fall below its cash outflow.As this study is confined of the Housing Development Finance Corporation Limited (HDFC) alone a comparative study of the working of similar banks is prohibit from its scope. This is due to the constrains of time & finance. Through it is being a case study of particular bank it is findings and the suggested remedial measures definitely will brave relevance to other central bank in general. Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai. The following year, it started its operations as a Scheduled Commercial Bank. Today, the bank boasts of as many as 1412 branches and over 3275 ATMs across in India.

II.TECHNOLOGY DEVELOPMENT

HDFC Bank has always prided itself on a highly automated environment, be it in terms of information technology or communication systems. All the branches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank's branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and build market share.

III.CAPITAL STRUCTURE

At present, HDFC Bank boasts of an authorized capital of Rs 550 crore (Rs5.5 billion), of this the paid-up amount is Rs 424.6 crore (Rs.4.2 billion). In terms of equity share, the HDFC Group holds 19.4%. Foreign Institutional Investors (FIIs) have around 28% of the equity and about 17.6% is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). The bank has about 570,000 shareholders. Its shares find a listing on the Stock Exchange, Mumbai and National Stock Exchange, while its American Depository Shares are listed on the New York Stock Exchange (NYSE), under the symbol 'HDB'.

IV.BANKING SERVICES

- Savings Accounts
- Salary Accounts
- Current Accounts
- Investments & Insurance
- Forex Services
- Payment Services

Fixed Deposits	Net Banking
Demat Account	InstaAlerts
Safe Deposit Lockers	Mobile Banking
Loans	Insta Query
Credit Cards	ATM
Debit Cards	Phone Banking

V.RESEARCH OBJECTIVES

- To assess the liquidity position of the bank
- To evaluate the various aspect of assets and liabilities of the bank
- To identify the effectiveness of the capital structure of the bank
- To know the changes in the components of working capital``

VI.NEED & SCOPE OF THE STUDY

Working capital is considered as the blood of business. Inadequate working capital disturbs the continuous production, when there is adequate working capital the payment to creditors is done without failure. As result, the bank gains goodwill. It will also help to get loans and cash discounts. Excess of working capital affects the profitability of the firm; inadequate working capital prevents the firm from fulfilling the current obligations.The study covers all deposits and loans of the Housing Development Finance Corporation Limited (HDFC). Provide as over views of working capital and measure the effectiveness of the various aspect of current assets and liabilities. It gives the overview performance of the bank, and various challenges and opportunities ahead for the Housing Development Finance Corporation Limited (HDFC).

VII.LIMITATIONS OF THE STUDY

1. The study covers a period of five years only that is from 2011to 2016.
2. This research has been contained only to financial statement available in the bank.
3. The analysis of past performance of the bank can give broad sketch only it predicts the future only to some extent.
4. This study has been made on the basis information contained in the financial statement.

VIII.RESEARCH METHODOLOGY

CURRENT RATIO

Current ratio is the relationship between current assets and current liabilities.

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

A current ratio of 2:1 is considered deal. That is, for every one rupee of current of current liability there must be current assets of Rs.2. If the ratio is less than two, it may be difficult for a firm to pay current liabilities. If the ratio is more than two, it is an indicator of idle funds.

TABLE: 1

CONSOLIDTED COMPARISION OF CURRENT ASSETS AND CURRENT LIABILITIES

YEAR	CURRENT ASSETS RS.	CURRENT LIABILITIES RS.	CURRENT RATIO
2011-2012	34,11,632,023.00	4,52,356,122.90	7.54
2012-2013	36,32,537,472.00	28,112,711.40	12.92
2013-2014	39,72,974,626.00	4,02,578,779.10	9.87
2014-2015	33,43,344,429.00	2,70,988,816.60	12.33
2015-2016	42,56,811,622.00	2,45,802,025.00	17.31

Source: *Secondary data*

TABLE – 2

HDFC BANK LTD –SCHEDULING OF CHANGE IN WORKING CAPITAL DURING THE YEAR 2014 -2015

Particulars	2014 Rs.	2015 Rs.	Increasing Rs.	Decreasing Rs.
Current assets				
Cash in hand	1,00,805,731.08	1,04,482,628.31	36,76,897.30	-
Cash at bank	11,15,338.23	15,56,514.57	4,41,176.34	-
Advances	36,26,770,501.01	30,83,139,733.91	-	5,43,630,768.00
Interest receivable	2,17,127,801.80	1,29,711,894.00	-	87,415,907.80
Bills receivable	95,12,737.07	36,27,443.28	-	58,85,293.79
Other assets	17,642,517.04	20,826,216.13	31,83,699.09	-
Total current assets [A]	**39,72,974,626.00**	**33,43,344,429.00**		
Less: current Liabilities				
Interest payable	76,904,398.59	1,18,210,763.00	-	41,306,364.41
Branch adjustment	14,548,097.71	17,540,388.22	-	29,92,290.51

Bills for collection	95,12,737.07	36,27,443.28	58,85,293.79	-
Overdue interest Reserve	2,59,247,964.00	68,314,561.00	1,90,933,402.00	-
Other liabilities	42,365,581.69	63,295,660.05	-	20,930,078.36
Total current Liabilities (B)	**4,02,578,779.10**	**2,70,988,815.60**		
Net working capital [A-B]	35,70,395,847.00	30,72,355,613.00	2,04,120,468.50	7,02,160,702.90
Decrease in working Capital	**-**	**4,98,040,234.00**	**4,98,040,234.40**	**-**
Total	**35,70,395,847.00**	**35,70,395,847.00**	**7,02,160,702.90**	**7,02,160,702.90**

TABLE – 3

SCHEDULING OF CHANGE IN WORKING CAPITAL

DURING THE YEAR 2015 - 2016

Particulars	**2015**	**2016**	**Increasing**	**Increasing**
Current assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash in hand	1,04,482,628.31	1,02,434,124.43	-	20,48,503.90
Cash at bank	15,56,514.57	35,74,160.57	20,17,646.00	-
Advances	30,83,139,733.91	40,83,572,728.06	10,00,432,995.00	-
Interest receivable	1,29,711,894.00	47,303,167.00	-	82,408,727.00
Bills receivable	36,27,443.28	26,59,322.59	-	9,68,120.69
Other assets	20,826,216.13	17,268,119.03	-	35,58,097.10
Total current assets [A]	**33,43,344,429.00**	**42,56,811,682.00**		
Less : current Liabilities				
Interest payable	1,18,210,763.00	86,959,299.00	31,251,464.00	-
Branch adjustment	17,540,388.22	97,21,554.18	78,18,834.04	-
Bills for collection	36,27,443.28	26,59,322.59	9,68,121.00	-
Overdue interest Reserve	68,314,561.00	32,628,860.00	35,685,702.00	-
Other liabilities	63,295,660.05	1,13,832,989.50	-	50,537,329.45
Total current Liabilities (B)	**2,70,988,815.60**	**2,45,802,025.30**		

Net working capital [A-B]	30,72,355,613.00	40,11,009,597.00	10,78,174,762.00	1,39,520,778.10
Increase in working Capital	**9,38,653,984.00**	-	-	**9,38,653,984.00**
Total	**40,11,009,597.00**	**40,11,009,597.00**	**10,78,174,762.00**	**10,78,174,762.00**

TABLE – 4

CONSOLIDTED COMPARISON OF BALANCE SHEET

DURING THE YEAR 2015-2016

Particulars	**2015 Rs.**	**2016 Rs.**	**Increase/ Decrease Rs.**	**% Increase or Decrease**
Current assets				
Cash in hand	1,04,482,628.31	1,02,434,124.43	-20,48,503.90	-1.96
Cash at bank	15,56,514.57	35,74,160.57	+20,17,646.00	+129.63
Advances	30,83,139,733.91	40,83,572,728.06	+10,00,432,995.00	+32.45
Interest receivable	1,29,711,894.00	47,303,167.00	-82,408,727.00	-63.53
Bills receivable	36,27,443.28	26,59,322.59	-9,68,120.69	-26.69
Other assets	20,826,216.13	17,268,119.03	-35,58,097.10	-17.08
Total current assets [A]	**33,43,344,429.00**	**42,56,811,622.00**	**+9,13,467,193.00**	**+27.32**
Fixed assets				
Investment	7,64,757,857.37	8,96,197,335.37	+1,31,439,478.00	+17.19
Consortium finance	70,500,000.00	1,53,989,000.00	+83,489,000.00	+118.42
Govt. loan discount	6,32,589,278.38	6,32,589,278.38	-	-
Premises	55,53,291.00	53,97,364.00	-1,55,927.00	-2.81
Furnishers & fixtures	16,11,759.50	44,54,844.40	+28,43,084.90	+176.39
Vehicles & library	3,48,444.00	6,04,771.95	+2,56,327.95	+73.56
Non banking assets	7,480.00	7,480.00	-	-
Profit & loss	1,85,045,798.40	2,18,325,336.10	+33,279,537.70	+17.98
Total fixed assets [B]	**16,60,413,909.00**	**19,11,565,410.00**	**+2,51,151,501.00**	**+15.13**
Total assets [A+B]	**50,03,758,338.00**	**61,68,377,032.00**	**+11,64,618,694.00**	**+23.27**
Current liability				

Interest payable	1,18,210,763.00	86,959,299.00	-31,251,464.00	-26.44
Branch adjustment	17,540,388.22	97,21,554.18	-78,18,834.04	-44.58
Bills for collection	36,27,443.28	26,59,322.59	-9,68,120.69	-26.69
Overdue interest Reserve	68,314,561.00	32,628,860.00	-35,685,701.00	-52.24
Other liabilities	63,295,660.05	1,13,832,989.50	+50,537,329.45	+79.8
Total current liability [c]	**2,70,988,815.60**	**2,45,802,025.30**	**-25,186,790.30**	**-9.29**
Long term liability				
Capital	3,14,462,750.00	4,59,024,400.00	+1,44,561,650.00	+45.97
Reserve Fund	5,77,316,647.95	6,40,752,622.95	+63,435,975.00	+10.99
Deposit	24,05,524,274.65	30,47,624,908.06	+6,42,100,634.00	+26.69
Borrowing	13,64,965,850.70	16,21,184,076.60	+2,56,218,226.00	+18.77
Consortium	70,500,000.00	1,53,989,000.00	+83,489,000.00	+118.42
Total long term liability (D)	**47,32,769,522.00**	**59,22,575,007.00**	**+11,89,805,485.00**	**+25.14**
Total liability [C+D]	**50,03,758,338.00**	**61,68,377,032.00**	**+11,64,618,693.00**	**+23.27**

IX.RESEARCH MAJOR FINDINGS

- ✓ It was found that the Current Ratios are in acceptable level.
- ✓ It was found that the liquidity position of the banks was found satisfactory and increasing
- ✓ The comparative statement (Table 3) shows the current and long term financial position of the bank activities.
- ✓ The common size statement(Table 4) shows the movement of cash position and changes of financial position in the bank
- ✓ It was found that the bank has extended adequate financial assistance to the members to develop in trade and industry
- ✓ It was found that the share capital of the bank is inadequate and it needs to be increased .
- ✓ It was found that the Special types of deposits scheme can to be introduced the benefit of the deposit.

X.SUGGESTIONS

- ✓ The bank management may take necessary steps to employee more numbers of staff considering the burden of work load.
- ✓ The present the number of staff in the bank is inadequate
- ✓ The work performance of the bank can be smooth and successful only if it has sufficient number of staff.

- ✓ The employees of the bank are motivated thus to provide specialized service.
- ✓ Advertisement and publicity should be given so as to make the awareness to the public.
- ✓ To improve the standard of work done by the bank employees the central and state government is spending a substantial amount.

XI.CONCLUSION

The Housing Development Finance Corporation Limited (HDFC) has been serving the people of Tamil Nadu. The major activities of bank are accepting deposits on the other hand lending money to the people. The percentage of credit to working capital and deposit is showing an increasing trend, during this study period. It clearly indicates lack of scientific portfolio management, of the HDFC bank.

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