IMPACT OF MERGERS AND ACQUISITIONS ON FINANCIAL PERFORMANCE

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CERTIFICATE

This is to certify that this Project entitled, **"Impact of Mergers and Acquisitions on Financial Performance"** is a record of genuine work done by **Nikita Sadiq** under my guidance and supervision in partial fulfillment of the requirements for the award of the Degree of Bachelor of Business Administration programme of the Mahatma Gandhi University and it is hereby approved for submission.

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DECLARATION

I, Nikita Sadiq, do hereby declare that this project report entitled, “Impact of Mergers and Acquisitions on Financial Performance” is a bonafide record of work done by us under the guidance and supervision of Dr. Sreeja S, Assistant Professor, Department of Bachelor of Business Administration, Bharata Mata College, Thrikkakara and this work has not formed the basis for the award of any academic qualification, fellowship or any other similar title of any other University or Board.

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CHAPTER 1

INTRODUCTION

Mergers and acquisitions (M&A) have been an important component of corporate strategy and represent an important alternative for strategic expansion. M&A affects various aspects concerned with the working of an enterprise. It helps in stimulating growth, gaining competitive advantages, increasing market share, or influencing supply chains.

Mergers and acquisitions has two aspects. 1. Mergers and 2. Acquisitions.

Mergers means the combining of two or more companies into one. To further explain it, A merger occurs when the two businesses form a new, third entity. A merger describes two firms, of approximately the same size, that join forces to move forward as a single new entity, rather than remain separately owned and operated. This action is known as a merger of equals. When one company takes over another and establishes itself as the new owner, the purchase is called an acquisition. i.e. in an acquisition, one company purchases and absorbs the other into its operations. The goal of a merger or acquisition is to create a new entity that is more efficient and effective than the two previous companies were on their own.

A merger or acquisition can be friendly or unfriendly (hostile) takeover. The difference between a merger and acquisition lies on the way such deals are communicated and accepted by the board of directors, the shareholders and the employees. Takeovers in which the target companies do not wish to be purchased (hostile takeovers) are almost always considered to be an acquisition.

There are many reasons as to why mergers and acquisitons are done. It can be done for tax purposes, to encourage growth, to withstand competition. Some companies merge so that they can use all their effective resources, take advantage of synergies and economies of scale and make the best out of it.

A fact to note is that not all M&A cases have to be a definite success. If they aren't properly planned and managed, say during the whole documentation process or after they are competed, it might lead to the downfall of the parties rather than actually helping the growth of them. Intergration risk, overpayment and culture clash can lead to the failure of an M&A.

They also effect the parties in numerous ways and in the way the companies operate and even in their day to day activities. They also effect the employes working in the companies, the work environment ad so on. In the case of an hostile takeover, so many employees lose their jobs and end up unemployed.

There are various kinds (types) of Mergers and Acquisitions. They are:

Mergers: When the board of directors of both the companies are fully aware and has approved of the combination of the said companies and has seeked the permission of the shareholders.

Acquisitions: Wherein, the acquiring company has majority stake in the acquired firm and doesn’t have to alter or bring any change in its structure or name.

Consolidations: Consolidation refers to the creation of a new company by combining its core businesses and abandoning its old business structures. The shareholders of both the concerned firms must approve the consolidation and must receive equal equity.

Tender Offer: Here, one company offers to purchase the outstanding stock of another company ata rate other than the market price.

Acquisition of Assets: In this process, one company directly acquires the assets of another company with the approval of the shareholders of the company from which the assets are being acquired. The purchase (acquisitions of asssets) are typical during bankruptcy.

Management Acquisition (Management-led buyout (MBO)): Executives from one firm buy a majority stake in another, thus taking it private. In an effort to assist fund a deal, these former executives frequently collaborate with a financier or former company leaders. Such M&A deals often require a large amount of debt financing, and the majority of shareholders must consent. For instance, Dell corporation announced that it was acquired by its founder, Micheal Dell, in 2013.

The direct and indirect merging structures are the two fundamental types. The target and the purchasing companies combine directly with one another in a direct merger. The target company will merge with a buyer subsidiary in an indirect merger. The term "forward triangular merger" refers to this situation if the buyer's subsidiary survives. This is referred to as a "reverse triangular merger" if the target firm survives. Mergers can be structured in various ways starting from horizontal mergers (companies that are in direct competition, has the same product lines and the same market), vertical mergers (A customer and company or a supplier and company. For example an ice cream maker merging with a cone supplier), congeneric mergers (two companies that serve the same target customers in different ways), Market-extension merger (companies that sell the same products but in different markets),

Product-extension merger (Companies selling different but related products in the same market) Conglomeration (Two companies that have no common business areas)

HOW ARE ACQUISITIONS FINANCED

The method used to finance M&A depends on the the structure of the parties involved, their current financial position and some other variables which mainly revolves around their assets and liabilities. Exchange of stocks and the purchasing of debts of the target company are some of the major sources or methods of financing. They can be financed through the use of equity alone as currency and negotiating a pro rata stake in the combined company, with no involvement of actual cash, through company profits (cash on hand), seller notes which is when the seller agrees to not take all of the cash up front and pay only a certain amount or percentage at first, through seller equity, banks and SBA loans, private equity firms, family offices and so on. These are just some of the ways through which M&As can be financed. Shares and bonds could be issued where the buyer asks for financial support from the current shareholders or the general public.

HOW MERGERS AND ACQUISITIONS ARE VALUED

M&As are valued in three different methods: market-base, income-based and asset-based. Different parties in M&A might value their firms in different ways. While the seller values the company at the highest price, the buyer obviously will try to value the firm at its lowest price for their own benefits. There are some factors which are taken into consideration while evaluating and companys worth. The stage of the company's lifecycle, the assets, Earnings before interest tax, depreciation & amortization, Revenue multiple, real option analysis, dividend yield, entry cost, precedent analysis, business history and reputation, observable growth, marketplace competition, prospects and the cost for the buyer to build a similar business from scratch all fall under the factors that influence the decision. They are valued using different methods starting from Price-to-Earnings Ratio (P/E Ratio), Enterprise-Value-To-Sales Ratio (EV/Sales Ratio), Discounted Cash Flow (DCF) and the Replacement Cost.

EFFECTS OF MERGERS AND ACQUISITIONS

Mergers and acquisitions effect the parties involved in numerous ways. It can effect the capital structure of the firms, their operations, the way they perform their day-to-day activities and what not. Based on the rationale of M&A, synergies can be increased by

lowering operational expenses. In the process of reducing their operational expenses, it will lay off far more basic staff to save money on compensation. One of the explanations for the low successful rate of M&A cases is the negative reaction of employees including high employee mobility.

When it comes to the financial effects, the profitability of the firms might increase as profit maximization is almost always the goal of M&As. Since M&As establish a larger corporation, there is a change in the amount of assets, profitability and debt structure. This in turn brings a change in the liquidity. Stock price also changes depending upon the direction of the market reaction. The market reaction depends on the kind of M&A deal proposed.

Mergers or acquisitions does not only affect the parties involved, it also affects the economy.

BENEFITS OF M&A

Benefits of M&A can be categorised into two kinds: Operational Benefits and Strategic Benefits

Since competitive firms or any firms, for that matter, come together they can offer a more consolidated set of products and services for the target market and use a single distribution network instead of separate ones. This will also enable them to reduce the costs involved. This will also lead to a more effective marketing and sales approach. M&As also help in increasing their purchasing power. These are the Operational Benefits.

As for the strategic benefits, since the best from both the firms come together, their deeper expertise and customer insights will help them in making better decisions. By combining their existing offers and developing new ones, better and improved products can be provided to the customers which will inturn leads to better client experience. By combining two different companies or acquiring a company that has control over different geographical locations, they can access new geographic markets. This will help them not only find a new audience but also will help them in attracting top talent. They can also, with the resources that they now have, encourage faster development and launch new technologies. This will increase their market position in the long run.

HISTORY

The first or the oldest merger in the history of India dates back to 1988 when Swaraj Paul did an unfriendly, ineffective, bid to overpower DCM Ltd. and Escorts Ltd. Up until 1988 there were little to no cases of mergers. The concept of mergers and acquisitions were highly unpopular. The reason for the unpopularity is also said to be the regulatory and prohibitory provisions of MRTP Act, 1969. According to this Act, a company or a firm has to follow a pressurized and burdensome procedure to get approval for merger and acquisitions. There are many examples of mergers and acquisitions like Digital Equipment Corporation and Compaq entered into a merger agreement in 1998, wherein Compaq acquired Digital Equipment Corporation. Later, in 2002, Compaq and Hewlett-Packard combined. CPQ was Compaq's pre-merger ticker symbol. The present ticker symbol (HPQ) was created by combining this with the Hewlett-Packard ticker sign (HWP). Manulife Financial Corporation's 2004 acquired John Hancock Financial Services, wherein both companies preserved their names and organizational structures (Acquisitions), Citicorp and Travelers Insurance Group announced (1998) a consolidation, which resulted in Citigroup. In 2008, Johnson & Johnson made a tender offer to acquire Omrix Biopharmaceuticals for $438 million. The company agreed to the tender offer and the deal was settled by the end of December 2008.

Volume is tremendously increasing with an estimated deal of worth more than $ 100 billions in the year 2007. This is known to be two times more than that of 2006 and four times more than that of the deal in 2006. Further to that, the percentage is continuously increasing with high end success in business operations.

In the recent past (2022), one of the most high profile acquisitions would be the Elon Musk/Twitter case where Elon Musk acquired Twitter, the social media app for $44 billion in a hostile takeover. American tech giant Microsoft acquired the game-holding company, Activision Blizzard, for $68.7 billion in 2022’s biggest acquisition. Tata Group took over Air India, Adani Group took over the news channel NDTV which turned out to be a very controversial deal and was criticized both domestically and internationally. Along with the news channel they also acquired Ambuja Cements and its subsidiaries, PVR and INOX merged. India’s largest housing finance company, HDFC Ltd and the largest private sector bank, HDFC Bank, merged in 2022 in one of the biggest financial deals in India. The $40 billion deal will result in a single entity, but the services of HDFC Ltd and HDFC Bank will continue to be provided separately.

With increasing competition and globalization of business, It is believed that at present India has now emerged as one of the top countries entering into merger and acquisitions.

1.2 PROBLEM DEFINITION

Growth is a subsequent part of every organisation. It is the substance which an entrepreneur or an individual chases behind. This paper aims to focus on to study and understand how mergers and acquisition helps in the growth of businesses involved and how it affects the financial performance of the firm. The study is to truly find out and understand the difference, if any, between pre-merger and post-merger working and conditions of the organisation. We aim to understand whether M&As facilitate growth and improve profitability or if they lead to the downfall of the parties involved.

1.3 OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE:

To study the impact of Mergers and Acquisitions on the financial performance of HDFC Bank

SECONDARY OBJECTIVES:

- To determine the effect of the mergers and acquisitions on the management and earning efficiency of the bank
- To compare the liquidity position of the bank Pre-Merger and Post-Merger
- To analyse the Asset quality of the bank

1.4 SCOPE OF THE STUDY

- The study is conducted to understand the various effects of M&As on the structure working of the firm
- The paper will help the readers understand the various aspects involved and thoughts that go into a M&A deal.
- The study helps you understand the various factors that influence the mergers and acquisions.
- The study helps you differentiate mergers and acquisitions, its types and more.

- The success rate of the deals can be seen and understood in the study. The reasons for failure or success can also be understood.

1.5 LIMITATIONS OF THE STUDY

- Non- Availability of data. No statistical data was available from the HDFC branches. The study was conducted entirely on the basis of secondary data. The said data was collected from the annual reports of HDFC bank published online.
- Time constraint. Due to time constraints, only a particular set of ratios could be calculated and analysed.
- Sample Size. Since only HDFC Bank has been studies for this research, the small sample size might limit the generalizability of results and raise the possibility of reaching incorrect conclusions.
- External factors. It can be difficult to separate the consequences of mergers and acquisitions from industry developments, regulatory changes, and economic conditions that affect financial performance.
- Reporting biases. Companies may selectively disclose information or present financial results in a favourable light, potentially skewing the analysis of financial performance post-merger.
- Strategic Factors. Financial measures alone may not adequately capture the impact of strategic decisions, integration processes, and cultural alignment on the success or failure of mergers and acquisitions.

Time Frame. Deciding on a suitable study period can be difficult since mergers and acquisitions may take time to fully manifest their effects, which might distort the results.

CHAPTER 2

LITERATURE REVIEW

1. **Ramaswamy, K. P., & Waegelein, J. F. (2003)** states that Post-merger performance is positively correlated with long-term incentive compensation programs and adversely correlated with relative target size.
2. According to a **2007** study by **Vanitha, S., and Selvam, M.,** merging enterprises in India were acquired by organizations with a good reputation for management.
3. **Kumar, S., & Bansal, L. K. (2008)** states that when comparing post-merger financial performance to the pre-merger financial performance of the same company, more than half of all merger situations showed an improvement.
4. Another study by **Mahesh, R., & Prasad, D. (2012)** shows that in India, a merger of airline companies typically has little impact on the combined company's financial performance.
5. **Leepsa, N. M., & Mishra, C. S. (2012)** states that Although the companies' liquidity position has improved, the change is not statistically significant. Additionally, the financial results might not be the primary factor in determining an M&A's success.
6. The study conducted by **Fatima, T., & Shehzad, A. (2014)** concludes that Mergers and acquisitions do not affect a bank's financial performance significantly.
7. The study by **Sathishkumar, T., and Azhagaiah, R. (2014)** demonstrates that M&As have a significant impact on profitability for 38 out of 39 manufacturing firms in India in the post-merger period. As a result, it shows that the acquiring manufacturing firms in India have effectively used their combined resources to increase profits and shareholders' wealth after merger.
8. Acquisitions and mergers now involve many factors and are extremely strategic. There were conflicting reactions to the merger of Air India and Indian Airline. Both the viability and the result were crucial. The cases, however, lead us to the same conclusion as earlier research: mergers do not, at least not in the medium term, boost financial performance. **(Sinha, A. K., & Singh, N. (2014))**
9. This study found that expanding market share and improving profitability are the primary drivers of mergers and acquisitions, particularly within the Kenyan banking sector. However, the amount of dividends declared to shareholders and the frequency of dividend issuance were unaffected significantly by mergers and acquisitions. Since the majority of the banks greatly improved their market share, gross profit, and net profit, mergers and acquisitions had a considerable beneficial impact on the profitability of the banks. A significant portion of these banks saw a noticeable growth in the number of account holders. **(Joash, G. O., & Njangiru, M. J. (2015)).**

10. According to a study on the long-term financial health of the companies involved, M&A appear to be financially advantageous for the acquiring corporations in the long run **(Rani, N., et al. (2015))**
11. The study's findings by **Azwat, R. A., & Rikumahu, B. (2016)** indicate that no financial ratios alter significantly between before and after mergers and acquisitions, indicating that these events have not yet had a substantial impact on the financial performance of the organizations.
12. **Pahuja, A., & Aggarwal, S. (2016).,** states that Mergers and Acquisitions (M&As) have evolved into a crucial corporate restructuring technique. The amount of M&A activity has increased over the past 20 years across a variety of industries, including banking, pharmaceuticals, telecom, FMCG, and finance. M&A activity has also been seen in the banking industry.
13. **Jallow, M. S., et al. (2017)** states that while return on equity, return on assets, and earnings per share are all impacted by mergers and acquisitions, the net profit margin remains unaffected.
14. **Mehrotra, A., & Sahay, A. (2018)** states that the mergers and acquisitions (M&A) wave began in 1991, following liberalization. The Monopolistic and Restrictive Trade Practices (MRTP) Act was revoked as part of the liberalized policies, which also included the abolition of industrial licensing. The initiatives ushered in a new, growing environment where company mergers were a wise choice for combating India's fierce competition through improved governance.
15. According to **Selvi S.,** the sorts of M&A strategies used by Indian corporations are primarily horizontal and vertical in nature. This enables the businesses to concentrate on their core competencies while growing primarily in complementary business areas, which aids in the achievement of synergistic benefits.
16. In a study conducted by **Ansari, M. A., & Mustafa, M. (2018),** it is clear from the findings and analysis of key financial ratios both before and after the merger that there was no appreciable impact on the firm's operations. Before the merger and acquisition, companies were operating more effectively. Prior to the merger, there was a greater return for stockholders.
17. Acquisitions and mergers have evolved into an ongoing, unavoidable necessity for business expansion on a global scale. Corporate organizations not just in the nation but also internationally are realizing the value of expansion. In India, the number of cross-

border mergers has dramatically increased in recent years. Additionally, the outbound mergers have received a lot of supporters in the Indian corporate community **(Singh, S.)**

18. According to **Dastoor, D., & Joshi, P. (2018)**, over the past 20 years, both the value and the volume of M&As in the Indian business sector have increased dramatically. From just 12 deals in 1992 to a total of 3441 deals between 1992 and 2012, the number of M&A transactions has surged.
19. According to **Rami, M. D. P., & Shah, K. (2018)**, M&A activity has grown more significantly in India since globalization. M&A-related enterprises have seen a range of results. Some of it has a favorable impact on profitability, while others have a positive impact on liquidity. However, the overall outcome demonstrates that these M&As had little to no effect on the acquiring company' financial success.
20. **Mubeen, S., & Nagaraju, Y. (2018)** states that due to the fact that the merged firm uses less labor, resources, management effort, and money to produce the highest level of production after the merger, mergers and acquisitions result in a high level of cost efficiency
21. **Singh, S., & Das, S. (2018)** Regarding responses to the merger announcement, the market first attempted to respond unfavorably to the news of the majority of the banks' acquisition, but there was neither wealth creation or destruction for shareholders of both public and private sector banks.
22. The primary conclusions drawn from the secondary data are that all three amalgamated firms now have lower capital adequacy ratios. Only one of the three merged firms was able to bring its non-performing loan level below the pre-merger average. Two out of the three merged businesses experienced a decrease in the operating expenses ratio following the merger process when comparing the operating expenses ratio to look at the efficiency ratio. In two of the three amalgamated firms, the return on assets increased. Similar to this, when comparing the before and after-merger ratios, two of the three BFIs were able to boost return on equity**.(Ojha, R. K. (2018))**
23. There is little to prevent Indian companies that want to be household names from playing the merger and amalgamation game globally and outpacing their domestic and foreign counterparts in corporate restricting beyond as well as within the national borders given the country's strong long-term economic outlook and robust capital markets. **(Kapoor, S. (2018)).**
24. According to **MISHRA, P. (2019)**, M&As and market structure have no impact on variances in financial performance between industries.

25. According to **Thomas, J. O. S. Y., George, D. M., & Jain, D. P. (2019),** the findings indicate a declining tendency in the financial performance following the acquisition as compared to the pre-acquisition period. The findings of this study may be useful to both internal and external stakeholders (investors, managers, debtors, and creditors).
26. According to **Bianconi, M., & Tan, C. M. (2019)** The implications on the EV/EBITDA in the short- and long-terms are very different. Due to a probable bigger increase in the firm's earnings relative to enterprise value in the longer horizon, M&A results in a net fall in EV/EBITDA in the medium-run, three years prior to and following the deal. In contrast to resource-intensive enterprises, those that use technology extensively experience large time consequences. In contrast, M&A has a more consistent immediate impact on company value across all four industries. Immediately after the M&A transaction, the value of the company increases.
27. The analysis conducted by **Chavda, K. (2019)** concludes that there has been no improvement in the financial performance of the chosen financial service organizations as a result of the mergers and acquisitions decisions. The acquiring businesses in the financial services industry have fallen short of meeting the expectations of their equity owners. But despite all that, it is incorrect to claim that merger and acquisition findings have no such effects on the companies because they may benefit them in areas other than financial performance.
28. According to **Phukon, A., et al. (2019)** evidence from throughout the globe on mergers and acquisitions demonstrates that a high percentage of these transactions fail because of cultural differences and carryover obligations by the merging company.
29. The global merger news in the Indian industries has a favorable but not very significant influence on the bidding firm's shareholders' wealth **(Sharma, A. (2019))**.
30. According to **Zuhri, S., et al. (2020),** Merger and acquisition are two methods of combining businesses; corporations that acquire assets, liabilities, or control are referred to as acquiring companies or bidders, whereas companies that are acquired are referred to as target companies.
31. **Borodin, A., et al. (2020)** states that mergers and acquisitions (M&As) are complex occurrences and have been for many years. According to an analysis of the variations in the volumes of such transactions on a yearly basis, there are currently seven main waves of financial activity linked to M&A transaction participants in the US and other areas.
32. The study conducted by **Al-Hroot, Y. A., et al. (2020)** on the Impact of Horizontal Mergers on the Performance of the Jordanian Banking Sector shows that Except for the

superior result offered by this study suggesting that the leverage ratios improved greatly, the results indicate that the ratios of AHLI bank improved only somewhat in the time following the merger. The post-merger period coincides with the time of the global financial crisis, which started in 2007, which may be the cause of the minimal increase in financial ratios.

33. The research conducted by **Thomas, M., & Tamilmaran, J. C. (2021),** revealed that the financial performance of media and entertainment enterprises was not significantly impacted by mergers and acquisitions. Therefore, it may be said that mergers and acquisitions only have a minor effect on businesses.
34. According to **Rao, K. S. N., & Chalam, G. V.**, Many businesses and industries are being forced to pick mergers and acquisitions as a means of survival due to the intensifying rivalry among them on a national and international level. Managers can increase the likelihood that their acquisitions will increase shareholder value by concentrating on the kinds of acquisition methods that have previously produced value for acquirers.
35. **According to Aggarwal, P., & Garg, S. (2022)**, Merger is a corporate restructuring tactic that has a wide range of effects on the operation of the organization and to obtain the desired effects, the integration needs time.
36. According to the study's findings **(Guptaa, I., & Ramanb, T. V. (2022))**., the post-M&A period saw an overall improvement in the India Agri-Food company's financial performance for the acquiring corporations. The results of the ratios also lead to the conclusion that the operating performance and shareholder return show a noticeable improvement in the performance of India's agri-food enterprises.
37. EVA, MVA, and CVA are all increased by M&A motives (MAM). The five key reasons for acquisitions in the Ghanaian banking sector are strengthening market dominance, financial synergy, synergy gain (cost savings), and a desire for control to replace ineffective management. **(Apreku-Djan, P. K., et al. (2022))**
38. The aviation industry's judgments regarding inorganic expansion have not been successful, as evidenced by the depressing data presented by the sample businesses' empirical results after acquisition. Therefore, it can be said that inorganic development decisions have been an unpleasant experience for the acquiring corporations in the aviation industry, as their financial performance has been severely impacted. **(Malik, I. A., et al. (2022))**
39. **Gupta, I., et al. (2023)** states that because of the consolidation of two of the firm's resources, synergy will be developed throughout the post-M&A phase.

40. Organizations take part in M&A activities in order to carry out their growth strategy, to acquire new skills, or to obtain a competitive edge through market consolidation, diversification, or cost-efficient synergies **(Vinocur, E., Kiymaz, H., & Loughry, M. L. (2023)**)

41. **Gupta, S. C., & Kumar, M. (2023)** says that, M&A is a two-edged sword; if used properly, it can result in business success; if not, it can end up becoming a factor in failure.

CHAPTER 3
INDUSTRY PROFILE

Banking industry

The Banking Regulation 1949 defines the term banking as “accepting for the purpose of lending or investment, of deposit of money from the public repayable on demand or otherwise, and withdrawable by cheque, draft, and order or otherwise.”

The banking industry serves as the backbone of the global economy, providing a diverse array of financial services crucial for economic development. The industry consists of financial institutions that assist their clients in storing and using their money. They provide the said services in various different methods. The banks accept deposits and lend money to those in need. They facilitate movement in the economy. Banks let their clients open accounts for multiple reasons. For example, it can be for saving money, storing or depositing, and for investing. Because it offers resources for people, families, and organizations to use for transactions and investments, the banking sector is also beneficial to the economy. The banking sector accomplishes this, among other things, by arranging and disbursing loans to applicants for uses such as real estate acquisition, business startup, or college funding. The dynamics of this sector are influenced by economic conditions, technological advancements, regulatory changes, and evolving consumer preferences.

3.1 BRIEF HISTORY OF THE INDUSTRY

Modern banking in India actually began in the mid-18th century. The first bank that was established was the Bank of Hindustan in 1770 and winded up in 1829-32. Soon after which, the General Bank of India was established in 1786 which actually failed in 1791. ‘

The oldest bank still in existence is the State Bank Of India, although it was known by a different name back then. The original name was the ‘Bank of Calcutta’ which was established in mid-June of 1806 which was later renamed as ‘Bank of Bengal’ in 1809. The bank was founded by the Presidency Government along with two others: Bank of Bombay (1840) and Bank of Madras (1843). The three banks merged together in 1921 and was called the Imperial Bank of India which post-independence came to be called the STATE BANK OF INDIA. Prior to the Reserve Bank of India being founded in 1935 under the Reserve Bank of India Act, 1934, the presidency banks and their successors had operated as quasi-central banks for a considerable amount of time.

Reserve Bank of India is currently the central bank of India and is the regulatory body in charge of the regulations of the Indian Banking system. The Hilton Young Commission's

recommendations served as the foundation for the establishment of the Reserve Bank of India. The Reserve Bank of India Act, 1934 (II of 1934) establishes the statutory basis for the Bank's functioning, which began on April 1, 1935. The Controller of Currency and the Imperial Bank of India had previously been in charge of managing government accounts and public debt, which the Bank first took over from the government. In the old currency offices in Calcutta, Bombay, Madras, Rangoon, Karachi, Lahore, and Cawnpore (Kanpur), the Issue Department opened branches. The Banking Department established offices in Rangoon, Madras, Delhi, Bombay, and Calcutta. The main functions of the RBI were: 1. Regulate the issue of banknotes, 2. Maintain reserves with a view to securing monetary stability and 3. To operate the credit and currency system of the country to its advantage.

The Indian banking sector is primarily classified into two – Scheduled Banks and Non-Scheduled Banks. The banks that are included in the second schedule of the RBI Act is known as scheduled banks and the banks that does not fall under the said Act are called Non-Scheduled Banks. Scheduled banks are then classified into SBI and its Associates, Regional Rural Banks (RRBs), foreign Banks and other Indian Private Sector Banks. SBI merged its Associates banks into itself later in April 1, 2017 to form the largest bank. With this merger SBI has a global ranking of 236 on Fortune 500 index. Under the Banking Regulation Act of 1949, both scheduled and non-scheduled commercial banks are referred to as commercial banks.

TYPES OF BANKS

There are different types of banks that come under the banking sector, i.e. Central Bank, Cooperative Bank, Commercial Banks, Regional Rural Banks (RRBs), Local Area Banks (LABs), Specialized Banks, Small Finance Banks, Payments Banks.

KEY TERMS

UPI: Unified Payments Interface. It is a system that unifies numerous banking functions, smooth fund routing, and merchant payments under one roof, all within a single mobile application (of any partner bank).

BHIM: The National Payments Corporation of India created the mobile payment app BHIM, which is based on the Unified Payments Interface. It was introduced on December 30, 2016,

with the goal of encouraging cashless transactions and facilitating direct e-payments through banks. It bears Dr. Bhimrao Ambedkar's name.

NEFT: National Electronic Fund Transfer. It is owned by the reserve bank of India. NEFT is a payments method. In NEFT, the payments are done in batches.

RTGS: Real Time Gross Settlement. The payments are done in real time and any amount can be transferred. RTGS is known for its speed.

IMPS: Immediate Payment Service. The National Payments Corporation of India (NPCI) provides the IMPS service. Customers can use their services to move money between banks and PPI (prepaid payment instrument) issuers. PPIs are tools that let you use the value that is kept in the PPI to make purchases of goods and services or start money transfers. Digital wallets, smart cards, magnetic stripe cards, and vouchers are a few PPI examples. People without bank accounts can use PPI to send money via IMPS. The fund transfer method that combines the best aspects of NEFT and RTGS is called IMPS.

KEY PLAYERS

The key players in the banking industry ecosystem include banks, fintech companies, and non-banking financial institutions (NBFCs)

- **In the Banking Industry**

The key players in the banking industry are JPMorgan Chase, Bank of America, Citigroup, and Wells Fargo operate globally and offer a comprehensive suite of services. The banking landscape is populated by various entities, ranging from multinational giants to local community banks. Regional and community banks, while smaller in scale, play a vital role in serving local communities and businesses.

- **In the Indian Banking Industry**

The top companies in the Indian banking industry include State Bank of India, HDFC, ICICI, IDBI Bank, Bank of Baroda, Axis Bank, Canara Bank, Union Bank of India, Bank of India (BOI) and IndusInd Bank. Kotak Mahindra Bank, Punjab National Bank (PNB), Indian Overseas Bank, Yes Bank, IDFC First Bank, UCO Bank and Indian Bank are also popular banks in India.

In terms of market capitalization, HDFC Bank is ranked first, followed by ICICI Bank, SBI, Kotak Mahindra Bank, Axis Bank, IndusInd Bank, Bank of Baroda, Punjab National Bank, Union Bank of India and IDBI Bank (in that order).

CORE SERVICES

According to John Paget "No one can be banker who does not (i) take deposit accounts (ii) take current accounts (iii) issue and pay cheques and (iv) collects cheques–crossed and uncrossed for its customers"

The functions of the banks can be broadly classified into Primary Functions and Secondary Functions. The primary functions of the banks include accepting deposit and lending money. The banks accept deposits through fixed deposits, current deposits, savings deposits, and recurring deposits and lend money as overdrafts, cash credit, discount bills of exchange, money at call and at short notice and term loans.

They offer secondary functions like agency services and general utility services. Transfer of funds, collection of cheques, execution of standing orders, purchase of sale and securities, collection of dividend on shares, income tax consultancy and acting as trustee or executive falls under agency services. They also provide general utility services such as locker facilities, issue of travellers cheque, issue of letter of credit, collection and dissemination of important and necessary information, dealing in foreign exchange, underwriting securities, acting as referee and issuing of ATM cards.

- Checking and Savings Account
- Loan and Mortgage
- Credit and Debit
- Overdraft Facilities
- Retail Banking: This segment caters to individual consumers and small businesses, providing essential services like savings and checking accounts, personal loans, mortgages, and credit cards.
- Commercial Banking: Focused on serving medium to large businesses, commercial banks offer an array of financial services such as business loans, cash management, trade finance, and investment advisory.
- Investment Banking: Investment banking is a specialized area of banking that offers financial advisory services and aids in capital raising for people or organizations.

They assist new businesses in going public by serving as a middleman between investors and security issuers.

- Insurance, Mutual funds and SIPs fall under investments
- Asset Management: The word "asset management" refers to the management of funds or assets on behalf of customers. These resources could be stocks, bonds, property, commodities, or other financial instruments. They design investment plans that are customized to meet the unique requirements and objectives of their clientele, which can include both individual and institutional investors.
  The goal of asset management is to optimize returns on certain assets.

- Wealth Management: Wealth management is a broader term that encompasses not only asset management but also other financial planning services. Wealth managers assist high-net-worth individuals in managing their wealth, achieving financial goals, and planning for the future, offering services like tax, retirement, estate, risk management, and provide advices on philanthropy and charitable giving. Wealth management seeks to manage a client's overall financial situation and achieve their financial goals.

- Portfolio Management: The process of creating and managing an investment portfolio with the goal of reaching a certain goal, such maximizing returns or lowering risk, is known as portfolio management. To create a diverse portfolio of assets, portfolio managers consider the client's time horizon, risk tolerance, and investment goals.
  The goal of portfolio management is to create a diversified portfolio that meets a specific investing goal.

3.2 INDUSTRIAL PERFORMANCE: GLOBAL NATIONAL AND REGIONAL

Performance on Banking Sector India

The Indian banking sector began in the id 18th century. Since the, there has been a wide range of changes, improvements, advancements in the performance of the sector.

Admidst the chaos that has been going on globally, India has seen a relatively stable economic environment. The Indian Banking Sector showed a strong performance as opposed to the US and European banking sectors. The banking sector was said to have been

experiencing the “Goldilocks Moment”, meaning a period where all the parameters seem to being doing fine, Stated Dipak Gupta.

The Reserve Bank of India (RBI), the nation's central bank, has estimated that the banking industry's cumulative profit after taxes in the 2022–2023 fiscal year (FY22–23) almost reached Rs2.4tn ($29bn), a robust 38.4% more than the previous fiscal year's amount. From a low of -0.2% in 2018, return on assets rose to 1.1% in 2023. Additionally, asset quality—which for a while posed a significant obstacle for Indian banks—is at its highest point in ten years. After hitting a high of 11.5% in March 2018, gross non-performing assets (GNPA) as a percentage of total advances dropped sharply to 3.9% in March and are predicted to continue to decline. (The Banker)

In order to mitigate risk better, the regulatory authorities took a few initiatives which included restricting the activities of certain banks and institutions. Following which, they merged weaker banks with stronger public sector banks in an attempt to increase the efficiency and economies of scale. This resulted in reducing the number of government owned banks from 27 to 12.

The focus of the public sector banks switched to retail banking. This has always been the case for private sector banks. This switch basically has two benefits: 1. A diversified portfolio and 2. Better Return on Investments.

Switching, over a limit, to retail also has its negatives, it may cause a systemic risk. For the same reason, The Indian banking regulator has issued many warnings to banks regarding the rise in unsecured lending and the potential for delinquencies.

Digital Expansion.:

Indian banks are now placing a greater emphasis on technology, even though they have long recognized its significance. Technology is essential for them to continue to grow at a faster rate than their counterparts as well as to reach new heights.

The first bank India to ever launch internet banking was ICICI Bank back I the 1990s. The bank listed developing an enterprise architecture framework across digital platforms, data and analytics, micro services-based architecture, cloud computing, cognitive intelligence, and other new technologies among its top technological goals in its most recent annual report.

ICICI Banks technology expenses constitute upto 9.3% of its operating expenses in FY22-23. Whereas, in the past two years, Axis Bank's technology spend has increased by more than 70% and Kotak Mahindra Bank's digital investments doubled over.

"For me, the focus on technology upgrade and digital transformation is central to achieving growth as well as excellence in customer service." -Sashidhar Jagdishan, CEO. HDFC Bank.

Performance Of Banking Industry In Kerala

In the 20th century, banking was one of the most popular business sectors in the British Indian province of Malabar, which included the princely states of Travancore, Cochin, and the region that would eventually become Kerala. Kerala is home to branches of major nationalized banks, private sector banks, and regional cooperative banks. This diversity contributes to a competitive banking landscape. CSB Bank (formerly known as Catholic Syrian Bank Ltd) Dhanlaxmi Bank, ESAF Small Finance Bank, Federal Bank (originally known as Travancore Federal Bank), Kerala Bank, Kerala Gramin Bank, South Indian Bank are some of the banks that are based in the Gods Own Country. When it comes to the digital transformation, similar to the global trend, the banking sector in Kerala has been experiencing digital transformation. Banks are adopting online and mobile banking services to cater to changing customer preferences.

Kerala's economy is diverse, with contributions from sectors such as agriculture, tourism, and remittances from the expatriate population. The banking industry plays a crucial role in supporting these sectors through various financial services. Efforts have been made to promote financial inclusion in the state. The banking sector, including regional rural banks and cooperative banks, has been instrumental in reaching out to the unbanked population. Kerala has a significant presence of cooperative banks that serve specific communities and regions. These institutions play a vital role in providing financial services at the grassroots level. Some examples of such institutions are Irinjalakuda Town Cooperative Bank, Bank Employees Cooperative Society, Wayanad District Co Operative Bank Ltd, Cheranallor Service Cooperative Bank Ltd, and so on. Government initiatives at both the state and national levels influence the banking sector. Programs related to financial inclusion, economic development, and poverty alleviation impact the industry's performance. Kerala has a vibrant small and medium-sized enterprise (SME) and micro, small, and medium-sized

enterprise (MSME) sector. Banks play a crucial role in providing financial support and services to these enterprises

When it comes to Tourism and NRI Remittances, given Kerala's prominence in tourism and a large expatriate population, the banking industry often deals with foreign exchange transactions and NRI remittances, influencing its performance.

The banking industry in Kerala, like elsewhere, faces challenges such as non-performing assets (NPAs), regulatory compliance, and adapting to technological changes.

Future Outlook: The future of banking will likely be shaped by continued technological advancements, regulatory developments, and shifts in societal and environmental consciousness. Collaboration with fintech firms is anticipated to accelerate, and sustainable finance initiatives will gain prominence. Additionally, addressing financial inclusion challenges and expanding access to banking services in underserved regions will be key focus areas for the industry.

The banking industry's role in facilitating economic growth and managing financial resources is indispensable. Adapting to the evolving landscape, embracing technological innovations, meeting regulatory requirements, and satisfying changing customer expectations are imperatives for banks aiming to thrive in this dynamic and influential sector.

3.3 PROSPECTS AND CHALLENGES FACED IN THE INDUSTRY

Trends that are influencing the banking sector:

1. Digital Transformation: The shift towards digital banking was already underway, with traditional banks investing heavily in digital infrastructure. Mobile banking apps, online account management, and digital payment solutions were gaining popularity, driven by the increasing demand for convenience and efficiency among customers.

2. Fintech Integration: Collaboration between traditional banks and fintech startups was on the rise. Fintech firms were offering innovative solutions in areas such as payments, lending, robo-advisory, and blockchain. Banks were partnering with or acquiring fintech companies to enhance their technological capabilities and improve customer experiences.

3. Open Banking: Regulatory initiatives promoting open banking were gaining traction in various regions. Open banking allows third-party financial service providers to access customer banking data through APIs, fostering competition and enabling the development of new financial products and services.

4. Artificial Intelligence (AI) and Machine Learning: Banks were increasingly leveraging AI and machine learning for various purposes, including customer service automation, fraud detection, credit scoring, and personalized banking experiences. These technologies were helping banks make data-driven decisions and enhance operational efficiency.

5. Cybersecurity Focus: With the rise in digital transactions and data sharing, cybersecurity remained a top priority for the banking industry. Institutions were investing in advanced cybersecurity measures to protect customer data, prevent fraud, and ensure the integrity of financial transactions.

6. Customer-Centric Banking: Customer expectations were evolving, pushing banks to adopt a more customer-centric approach. Personalization, real-time communication, and seamless user experiences were becoming crucial for retaining and attracting customers.

7. Sustainability Initiatives: Environmental, social, and governance (ESG) considerations were gaining prominence. Banks were incorporating sustainability principles into their operations, investment decisions, and lending practices, reflecting a growing awareness of the need for responsible and ethical banking.

8. Regulatory Compliance Challenges: Banks were grappling with an ever-changing regulatory landscape. Compliance with new regulations, such as PSD2 in Europe, was demanding significant resources and reshaping how banks managed data and conducted business.

9. Remote Work and Digital Collaboration: The COVID-19 pandemic accelerated the adoption of remote work in the banking sector. Digital collaboration tools and platforms became essential for maintaining operational continuity and communication among remote teams.

10. Shift in Payment Preferences: Contactless payments, digital wallets, and other alternative payment methods were gaining popularity. Customers were increasingly adopting these convenient and secure payment options, impacting traditional payment channels.

There are some significant challenges faced by the banking industry:

1. Regulatory Compliance: Stringent regulatory requirements pose a significant challenge to banks. Compliance with complex and ever-evolving regulations, such as Basel III, Dodd-Frank Act, and GDPR, demands substantial resources and can affect the cost structure of financial institutions.
2. Cybersecurity Threats: The increasing digitization of banking services exposes institutions to cybersecurity risks. The industry faces constant threats from cybercriminals targeting customer data, financial transactions, and critical infrastructure. Banks must continually invest in robust cybersecurity measures to protect against breaches and fraud.
3. Digital Disruption: Traditional banks are under pressure to adapt to the digital era. The rise of fintech disruptors, offering innovative and agile solutions, poses a challenge to established financial institutions. Banks need to embrace digital transformation to stay competitive and meet evolving customer expectations.
4. Legacy Systems and Technology Debt: Many banks still rely on legacy systems that may be outdated and inflexible. Modernizing these systems is a complex and resource-intensive process. The presence of technology debt can hinder banks' ability to adopt new technologies and respond quickly to market changes.
5. Low Interest Rates: Persistently low interest rates, influenced by central bank policies and economic conditions, can impact the profitability of banks. Narrow interest rate spreads make it challenging for banks to generate income from traditional lending activities.
6. Customer Expectations: Changing customer expectations, influenced by digital experiences in other industries, require banks to provide seamless, personalized, and user-friendly services. Meeting these expectations while ensuring security and compliance is a continuous challenge.
7. Financial Inclusion: Despite advancements, a significant portion of the global population remains unbanked or underbanked. Achieving meaningful financial inclusion is a challenge for banks, particularly in developing regions, and requires innovative solutions and partnerships.

8. Geopolitical and Economic Uncertainty: Geopolitical tensions and economic uncertainties can impact the banking industry. Changes in trade policies, economic downturns, and geopolitical events can create challenges in risk management and strategic planning.
9. Operational Resilience: The banking sector must ensure operational resilience, especially in the face of unexpected events such as natural disasters, pandemics, or cyber-attacks. The ability to maintain essential services during disruptions is a critical challenge.
10. Talent Management and Skills Gap: The evolving nature of the industry, coupled with technological advancements, creates a skills gap. Banks need to attract and retain talent with expertise in areas such as data analytics, cybersecurity, and emerging technologies.
11. Environmental, Social, and Governance (ESG) Considerations: Increasing emphasis on ESG factors requires banks to incorporate sustainability principles into their operations and investment decisions. Balancing financial goals with ESG considerations can be challenging.

CHAPTER 4

COMPANY PROFILE

4.1 HOUSING DEVELOPMENT FINANCE CORPORATION

HDFC Bank Limited is a well-known, safe and secure Indian financial services and banking company. HDFC Bank, currently let by Mr Atanu Chakraborty, is the largest private sector bank in terms of their asset value and stated the fifth largest in terms of capital market capitalization with its headquarters in Mumbai. HDFC Bank was incorporated in August 1994 under the name of HDFC Bank Limited. In January 1995, the bank commenced business as a Scheduled Commercial Bank. They have a total of 8,086 branches spanned out across 3,836 cities all over India, providing services such as Loans, Mortgages , Commercial Vehicle Finance, Business Banking, Savings Account, Current Account, Forex Services, Cash Management Services and the likes through multiple platforms like Phone Banking, Net Banking, Mobile Banking, and SMS based banking and so on.

HDFC Bank has presence in 7 international locations including branches in 4 countries and 3 representative offices in Dubai, London and Singapore. They provide products and services related to Home Loans to Non-Resident Indians and Persons of Indian Origin.

BRIEF HISTORY

HDFC Ltd was founded in 1977 by Late Shri H T Parekh, Founder and Chairman. HDFC Ltd is the fruit of his dream millions of middle class families owning a home without having to wait for their retirement. One of the first financial institutions in India to obtain "in principle" clearance from the Reserve Bank of India (RBI) to establish a private sector bank was the Housing Development Finance Corporation Limited, or HDFC Ltd. They are the pioneers of housing finance. The Housing Development Finance Corporation Ltd is the parent company of HDFC Bank. It was established in 1994. HDFC Bank is a subsidiary of the Housing Development and Finance Corporation.

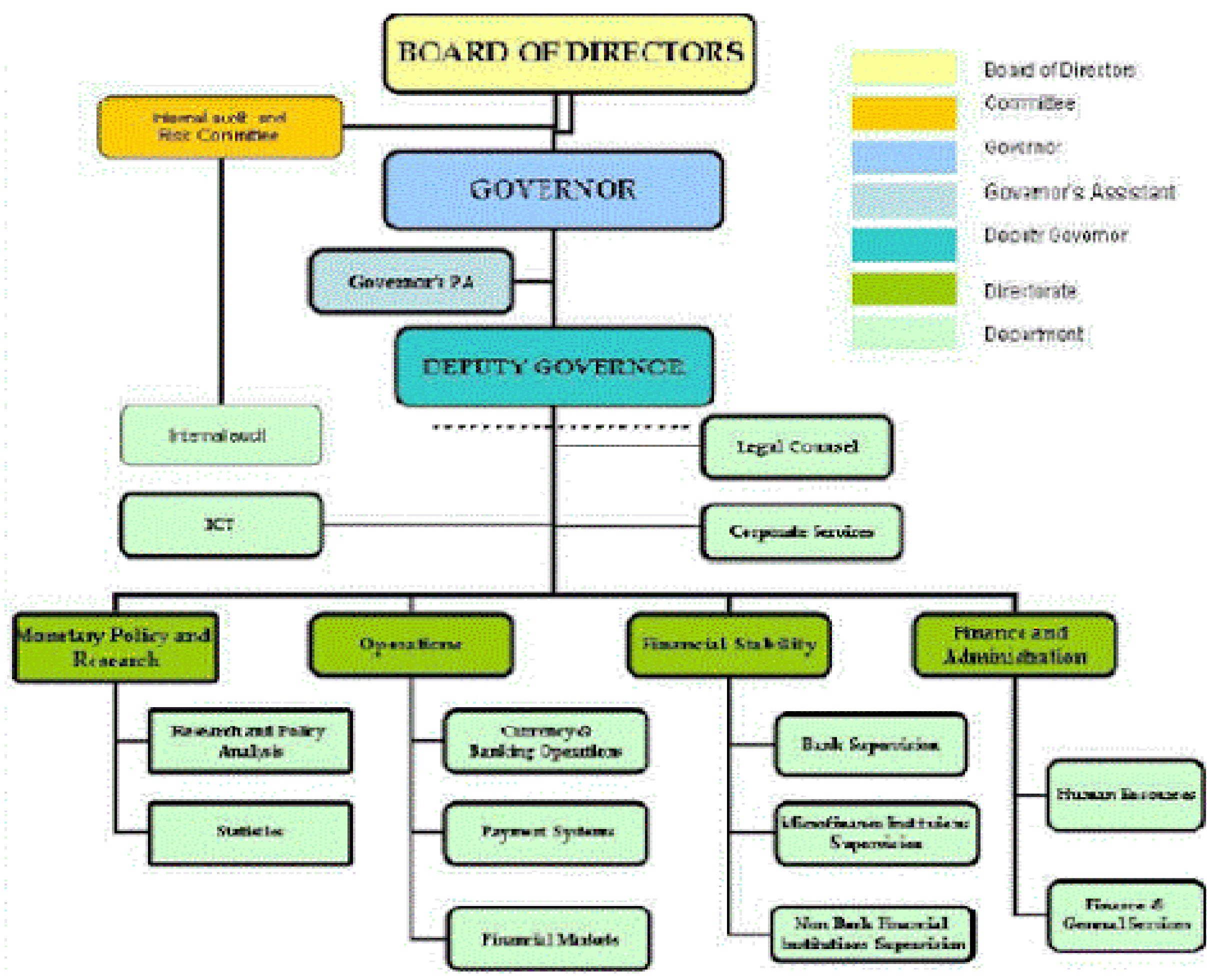
BOARD OF DIRECTORS

The Board of directors of HDFC consists of

- Mr. Atanu Chakraborty, The Chairman of the Board of the Bank.
- Mrs. Renu Sud Karnad, Additional and Non-Executive (Non-Independent) Director
- Dr. Sunita Maheshwari, Independent Director.
- Mrs. Lily Vadera, Independent Director

- Mr. Sashidhar Jagdishan, Managing Director & Chief Executive Officer of HDFC Bank
- Mr. Kaizad M Bharucha, Deputy Managing Director
- Mr. Bhavesh Zaveri, Executive Director
- Mr. Umesh Chandra Sarangi, Independent Director
- Mr. Sandeep Parekh, Independent Director
- Mr. MD Ranganath, Independent Director
- Mr. Keki M. Mistry, Additional and Non-Executive (Non-Independent) Director
- Mr. V. Srinivasa Rangan, Executive Director

ORGANISATION CHART



4.2 MISSION, VISION, STATEMENT AND QUALITY POLICY FOLLOWED

- CORE VALUES
  - Trust, Integrity, Transparency and Professional services are their core values
  - The banks philosophy is primarily based on five principles: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability.
- Their MISSION is to be a world class Indian Bank
- The bank mainly focuses on two objectives, i.e., First and foremost, to be the go-to source for banking services among the targeted retail and wholesale clientele. Achieving healthy profitability growth in line with the bank's tolerance for risk is the second goal.
- The bank makes sure to strictly follow all the policies that enables them to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.

"For me, the focus on technology upgrade and digital transformation is central to achieving growth as well as excellence in customer service."

-Sashidhar Jagdishan, CEO. HDFC Bank.

4.3 BUSINESS PROCESS OF THE ORGANIZATION – PRODUCT PROFILE

The bank primarily offers services and products under these key segments:

- Retail Banking
- Home Loan/ Mortgages Business
- Wholesale/ Corporate Banking
- Commercial and Rural Banking

1. **Retail Banking**

   Target customers for HDFC Bank's retail division include non-resident Indians (NRIs), micro and small enterprises like kirana shops and Self Help Groups (SHGs), as well as individuals and salaried professionals. The Bank customizes its offerings to meet the needs of this market. It holds a dominant position in the Payments sector and a strong position in the Auto and Personal Loan markets. High Net Worth Individuals

(HNI) are also provided with Wealth Management Services by the Bank. The products and services under this segment include:

- Auto Loans
- Credit and Debit cards
- Personal Loans
- Home Loans
- Gold Loans
- Mortgages
- Commercial Vehicle Finance
- Retail Business Banking
- Savings Account
- Current Account
- Fixed and Recurring Deposits
- Corporate Salary Accounts
- Construction Equipment Finance
- Agri and Tractor Loans
- SHG Loans
- Kisan Gold Card
- Distribution of Mutual Funds, Life, General and Health insurance
- Healthcare Finance
- Offshore loans to NRIs
- NRI deposits
- Small ticket working capital loans
- Business loans
- Two-wheeler loans
- Loans Against Securities

2. Home Loan/Mortgages Business

Following its merger with HDFC Limited, HDFC Bank has established a solid reputation for home financing. As a market leader in India for housing loan financing, HDFC Limited has developed a significant brand equity over time. Although the Bank has been procuring loans for HDFC Limited, it currently provides a broad array of home loans to meet the diverse requirements of clients from all income levels. These comprise loans to self-employed individuals, salaried individuals, working professionals, and individual borrowers. The products and services under this segment include:

➢ **Housing Loans**

- Home Loans: Purchase of a new apartment from a developer or a development authority or purchase of resale properties
- Rural Housing Loans
- Affordable Housing – HDFC Reach Loans
- Refinance – Home Loan Balance Transfer
- Housing Loans for Non-Resident Indians (NRIs)

➢ **Other Home Loan Products**

- House Renovation Loans
- Home Extension Loans
- Top up Loans

➢ **Other Loans**

- Loan Against property

3. Wholesale/Corporate Banking

Multinational enterprises, PSUs, the government, and large corporates are the target market for this industry. The Bank offers a comprehensive array of commercial and transactional banking services, such as cash management, trade services, working capital financing, and transactional services, to these clients. Their offer services such

as structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. It is acknowledged as a top supplier of transactional banking and cash management services to banks, mutual funds, stock exchange members, and corporate clients. The investment banking industry provides rupee loan syndication services and aids businesses in raising funds through the debt and equity capital markets as well as consulting services to its clientele. Their services include:

- Working Capital Facilities
- Term Lending
- Project Finance
- Debt Capital Markets
- Mergers and Acquisitions
- Trade Credit
- Supply Chain Financing
- Forex and Derivatives
- Cash Management Services
- Wholesale Deposits
- Letters of Credit and Guarantees
- Custodial Services
- Correspondent Banking
- Construction Finance

4. **Commercial and Rural Banking (CRB)**

Its target customer segment is Micro, Small and Medium Enterprises (MSMEs), emerging corporates, commercial agriculture, small and marginal farmers, healthcare finance, equipment finance and commercial transport companies. Their products and services include:

- Working Capital Loans
- Term Loans
- Supply Chain Management

- Project Finance
- Export Finance
- Tractor Finance
- Infrastructure Finance
- Crop Loan/Farmer Finance
- KCC
- Dairy/Cattle Finance
- Liabilities
- CASA Accounts
- Fixed Deposits
- Salary Account
- Trade Finance
- Bank Guarantee/LCs
- International Trade
- FX Advisory
- Trade Flows & Derivatives

5. Treasury

The Treasury is the custodian of the Bank's cash/liquid assets and manages its investments in securities and other market instruments.

- Foreign exchange & derivatives
- Solutions on hedging strategies
- Trade solutions - domestic and cross border
- Bullion
- Debt capital markets
- Equities
- Research - Reports & commentary on markets and currencies
- Asset liability management
- Statutory reserve

4.4 DETAILED MARKETING STRATEGY OF HDFC BANK

1. Pricing Strategy

Since any business must withstand market challenges and inflation, HDFC's reputation for holding sizable market shares in the Indian banking industry is sound. Its services are priced fairly while still generating profits. Bank HDFC offers competitive pricing at high-end costs. Compared to PSU and national banks, the pricing is like paying an insurance premium because a substantial minimum amount is required to open an account.

However, there are also other legislation that, in accordance with RBI recommendations, are competitive, such as home load. Therefore, the market, not the firm, sets the price for these things. It provides both current and prospective customers with acceptable credits for the longest possible payment terms at a comparable cost. Apart from the regular fees, nothing for distinct or related operations such as check replacement, loan repayment in advance, takeover, etc. warrants a lot of attention. As a result, HDFC is expensive in some areas while being priced competitively in others.

2. Place and Distribution Strategy

As of December 31, 2023, the Bank’s distribution network was at 8,091 branches and 20,688 ATMs across 3,872 cities / towns which is 908 more branches and 1681 more branches than 2022 (According to the FINANCIAL RESULTS (INDIAN GAAP) FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2023). 52% of our branches are in semiurban and rural areas. The bank has 15,053 business correspondents, which are primarily manned by Common Service Centres (CSC). The number of employees were at 2,08,066 as of December 31, 2023 (which is 41,176 more employees than on December 31, 2022).

3. Promotion and Advertising Strategy

In addition to using conventional marketing and promotion methods, HDFC also uses digital technology and other contemporary tools and techniques to advertise its name and products. Through its website, the business advertises its offerings, which include credit cards and other services. It has grown to be a major player in the financial services industry and has a sizable market share in India. HDFC's robust brand equity is founded on a persistent emphasis on customer satisfaction. By providing a service, it was able to

win over customers' trust. HDFC is one of India's leading providers of cutting-edge digital banking services.

Marketing & Advertising Campaigns of HDFC

Mooh Bandh Rakho, Summer Treats and Bonus Back are some of the Marketing & Advertising Campaigns of HDFC.

Mooh Bandh Rakho is aHindi phrase which means “keep your mouth shut”. It is an initiative that aims at educating the public about the various types of frauds and the importance of keeping your mouth shut to ensure their prevention.

Summer Treats campaign was launched by the bank in order to provide offers to both merchants and, salaried and self-employed customers. Under the campaign, bank will offer no cost EMI and no down payment for large appliances. It will also offer discounts and cashbacks on select brands along with 50% extra reward points on online spend using credit cards.

SOCIAL MEDIA PRESENCE

Social media plays an important role in today’s digital world where everything can be found, discovered and done at the tap of your fingers. Through social media, the bank may reach a wider audience, which aids in their development of a vast understanding of various programs and offers. This will help them grow in the long run.

The brand ambassador of the bank is Nawazuddin Siddiqui.

MERGERS AND ACQUISITIONS

February 2000. Merged with Times Bank, popularly known as Times Group (Indias largest media conglomerate)

23 May, 2008. Acquired Centurion Bank of Punjab.

2021, Acquired 9.99% of FERBINE (entity powered by Tata Group), to run a retail payment systems umbrella organization throughout India that is comparable to the National Payments Corporation of India.

September 2021, the bank partnered with Paytm to launch a range of credit cards powered by Visa

July, 2023. HDFC Bank merged with the Housing Development Finance Corporation.

4.5 SWOT ANALYSIS OF THE COMPANY

STRENGTH

HDFC Banks strengths include excellent customer service, risk management, market position, employee culture, digital initiatives, product diversification and technology

- They bank enjoys high customer ratings. HDFC Banks has always prioritized customer satisfaction. They have a separate dedicated team with a customer centric approach that focuses on handling customer complaints and feedback through its quick and efficient grievance reparation mechanisms. They have also made sue to provide their employees with training that will enable them to provide the best of services to the customers. To improve the entire customer experience, HDFC Bank has implemented a number of client-centric initiatives, including personalised banking solutions, a user-friendly mobile app, and round-the-clock customer service.
- With a strong emphasis on controlling operational and market risks as well as upholding excellent credit quality, the Bank has an effective risk management system. It has continuously kept up a high standard of asset quality and has actively detected and reduced risks. The bank also regularly does scenario studies and stress testing to find possible hazards and evaluate how they can affect the company. The internal audit department of HDFC Bank is strong and regularly performs audits to make sure the bank's risk management procedures are operating successfully and efficiently.
- HDFC Banks is one of the largest banks in terms of its market capitalization which has increased after the Merger with its parent company.
- The bank focuses encouraging and motivating their employees by providing them with employee friendly policies and practices. HDFC Bank considers their culture and people as their key enablers. They have always prioritized creating value for their stakeholders. HDFC Bank places a major emphasis on employee involvement and offers avenues for staff members to share ideas and provide feedback in order to cultivate a good work culture.

  In addition, it provides a variety of bonuses and benefits to its staff, such as flexible work schedules, retirement plans, and health insurance. They also ensure that their employees can improve themselves and focuses on their skill development.

- In the financial industry, HDFC Bank has been at the forefront of digital innovation. It has a strong online presence. Mobile banking, internet banking, and digital wallets are some of the services that are offered by the bank to help its customers use their services and adapt better. They have also adopted blockchain and artificial intelligence to enhance its digital offerings and operational efficiency.
- HDFC Bank has made large technological investments, raising the caliber of its services. Clients no longer have to wait in large lines at the bank because they can utilize online and mobile banking to do the majority of their transactions from the convenience of their own homes. Customers can register online for Net Banking services offered by HDFC Bank using an OTP issued to their mobile number to enhance security.
- Bank HDFC provides a range of financial services and products, including international, corporate, and personal banking. The bank has done a good job of satisfying the wide range of demands of its clients by diversifying its services.
- Comprehensive network of branches
- The bank does remarkably well in the retail banking sector. It offers individualized services to each customer, giving them improved methods for safely depositing money, obtaining credit, and managing their finances. The retail banking sector offers a variety of services, such as savings accounts, certificates of deposit, personal loans, credit cards, and mortgages.

WEAKNESS

HDFC Bank, just like any other company, has its weakness just like they have their strengths. It is important to notice, acknowledge and get educated about the weaknesses to ensure that these are turned into helpful resources that could eventually help the company to improve its overall performance. Some of the said weaknesses that have been recognized are

- No Strong Rural Presence: The bank finds it challenging and has yet to expand and establish their services in rural areas. Because of the said reason, they have lost multiple opportunities to increase their revenue as opposed to their competitor ICICI who has already made a position for itself in the rural segment.
- Stiff Competition: The bank faces stiff competition in the market. Their competitors mainly include ICICI, Axis Bank, Kotak Mahindra Bank, State Bank Of India and so

on. These rivals have aggressively increased the geographical and product/service scope of their activities.

- Weak Performance in Some Sectors: It is true that HDFC bank is of the top private sector banks in the current market. It is also true that they have been try and making efforts to penetrate into different markets. But this fact does not guarantee excellent performance in all the segments. HDFC Bank confronts fierce competition from other businesses despite holding a dominating position in the Indian banking market, which could have led to its underperformance in several areas. The bank's stock price has declined and it is now worth less than its competitors due to its lackluster performance on exchanges and lower-than-expected earnings.
- Weak Marketing Approach: Unlike certain other companies they have a weak marketing approach and do not advertise as aggressively. This lack of effective marketing strategies has not benefited the bank’s goal of expanding its market growth.
- Investors’ Uncertainty: Due to fluctuating market positions, investors have doube thoughts and find it hard to invest in HDFC.
- Weak International Presence: HDFC is mostly a domestic company, although it also has branches outside in Kenya, Abu Dhabi, and Hong Kong. International branches only provide 0.55% of overall revenue. The bank is susceptible to the state of the Indian economy because of its reliance on local operations.

OPPORTUNITIES

The phrase, “Seize the opportunity” has always been well known. In order to ‘seize’ the opportunity, it is necessary to, first, recognize them. The said opportunities might be right in from of our eye. But that is not always the case, sometimes it is not so evident and we might need to search for it. Once we do find it, we need to make the most out of it. The following are some of the opportunities

- Expand into New Markets: HDFC bank is more or less limited to India with ony 5 or 6 international offices. It is important for the bank to expand into newer geographies and Venture into foreign markets. This will enable them to increase their revenue as well as their brand and market share.
- Offering Green Finance: Sustainability is a trend, a much needed one, that has been going on for quite few years now. People have considered sustainability to be a great aspect that shouldn’t be ignored for the betterment of the present as well as for the

sake of the future. The growing demand for the same can be met by offering them sustainable finance. HDFC can meet the needs of clients who are aware of their environmental impact by supporting sustainable practices and offering incentives for ecologically friendly projects. This also goes hand-in-hand with the firm's social responsibility.

- Strengthening Partnerships: HDFC Bank can investigate various partnership models, like referral programs or co-branding initiatives, to encourage builders, developers, and real estate agents to promote HDFC's services. This will help the bank fortify its relationships with these parties and broaden its network of origination. In order to improve the client experience, the business can also provide value-added services to its partners, such as property management programs or house insurance. Additionally, it has the ability to regularly offer training and skill development programs regarding its goods and services, which can enhance the caliber of recommendations and client conversions. HDFC can establish enduring relationships with its partners and accomplish sustained growth in the real estate finance sector by cultivating a robust partnership ecosystem. Additionally, extending the network of partnerships outside of the
- Facilitating Affordable Housing: Ever since the company was established, the main or the core aim of HDFC was to provide or to help those in need with their housing needs. HDFC is an abbreviation for Housing Development Finance Corporation which basically explains itself. As it can help the business build its clientele and solidify its place as India's top housing financing provider, HDFC may find great success by concentrating on cheap homes.
- Diversifying Into Related Businesses: HDFC Bank may find it strategically advantageous to diversify into neighboring sectors since it lessens its dependency on a single business sector and lowers risk. HDFC can boost client loyalty and cross-sell potential by providing a full range of financial services, which will improve its revenue streams. Additionally, HDFC can take advantage of economies of scale by using its current customer base and infrastructure by diversifying into similar industries.
- Debt settlement process: Compared to the majority of government banks, HDFC Bank has steadily improved its bad debt portfolio. It can benefit even more from putting in place effective debt settlement procedures.

- Asset availability for growth: HDFC Bank has all the resources it needs to expand. Its strong asset quality gives it a higher potential for growth than government banks.
- Digital opportunities: DFC has been incorporating technology into its operations on a proactive basis. The business has been undergoing digital transformation, which is organized around the three pillars of enterprise IT, enterprise factory, and digital factory. The bank is prepared for the future to seize any fresh chances relating to online banking.

THREATS

- An organization should assess the risks it faces and create a strategy to lessen those risks' effects on the enterprise. To lessen the dependency on a particular business line, this may require diversifying the company's holdings, introducing new technologies or procedures, or putting risk management techniques into practice. The following are the threats that HFDC Bank must proactively counter:
- Cybersecurity Threats: With increased technological advancements, cybersecurity threats also increase. Data breaches, hacking, and phishing attempts are examples of cybersecurity threats that could undermine the bank's IT systems, cause operational disruptions, and result in financial and reputational losses.
- Since HDFC Bank handles sensitive financial and personal data, it is necessary for the bank to make significant investments in cybersecurity safeguards and training initiatives in order to reduce potential risks. Additionally, the bank may want to think about implementing cutting-edge technology like blockchain and artificial intelligence to improve cybersecurity.
- Economic Downturns: Performance at HDFC Bank is directly correlated with the state of the Indian economy. High inflation, a halt in economic expansion, or other macroeconomic issues may have an effect on the bank's profitability and future growth. The general state of the economy has a big impact on the profitability and expansion of banks in India. A recession may result in fewer consumer spending, a decline in the demand for credit and loans, and a rise in default rates, all of which could be detrimental to the bank's bottom line. An economic slump could be made worse by a slowdown in the real estate market, which is the bank's main source of income.

- Regulatory Challenges: The Reserve Bank of India (RBI) and other regulatory agencies impose several rules and compliance requirements on HDFC Bank because it is a financial institution. The operations and reputation of the bank could be negatively impacted by regulatory changes, noncompliance, or legal challenges.
- Maintaining the bank's operating license and reputation as a reliable organization depends on it adhering to regulatory standards. Modifications to rules or specifications may result in higher compliance expenses for the bank, less flexibility in product development, and difficulties in growing its business.
- Increasing Competition and Restricted Growth: Government banks are becoming more competitive with commercial banks like HDFC Bank because they have begun to become more adaptable. Because of the aggressive marketing that ICICI has done, HDFC Bank has struggled to gain market share.
- New Age Banking: The banking industry has evolved in the modern period from its historical practices. HDFC Bank faces serious risks from aspects like online stock trading and cryptocurrencies if it does not adjust to the new environment.

CHAPTER 5

RESEARCH METHODOLOGY

5. RESEARCH METHODOLOGY

Research is a process to discover new knowledge. It is an art of investigation. According to the American sociologist Earl Robert Babbie, "research is a systematic inquiry to describe, explain, predict, and control the observed phenomenon. It involves inductive and deductive methods." And according to John W. Creswell "Research is a process of steps used to collect and analyse information to increase our understanding of a topic or issue".

5.1 STATEMENT OF THE PROBLEM

Growth is a subsequent part of every organisation. It is the substance which an entrepreneur or an individual chases behind. This paper aims to focus on to study and understand how mergers and acquisition helps in the growth of businesses involved and how it affects the financial performance of the firm. The study is to truly find out and understand the difference, if any, between pre-merger and post-merger working and conditions of the organisation. We aim to understand whether M&As facilitate growth and improve profitability or if they lead to the downfall of the parties involved.

5.2 RESEARCH DESIGN

The framework of research methodologies and techniques selected by a researcher to carry out a study is known as research design. The design enables researchers to focus on the most effective research techniques for the topic at hand and organize their investigations for success.

5.3 DATA COLLECTION DESIGN

Data collection design involves the combination of various methods like forms, instruments and techniques which are used to collect information required for the study. Data collection involves collection of data through questioners, surveys, quizzes, through interviews, focus groups, direct observations, documents, reports, and other publishings. In the design, a framework of questions to be asked is carefully chosen to meet the data requirements of the research.

5.3.1 DATA SOURCE

The data for this study has been primarily collected from secondary sources. Primary data are data that are being collected for the first time by the researcher for the purpose of their

study. They can be collected through direct personal interview, telephonic interview, questioners, and so on. The data collected through this method is considered to be fresh and comparatively more accurate for the study that is being conducted. Secondary sources are sources or data that has already been collected for another purpose. They can be either published or unpublished. These data can be used for the study as long as it meets the requirements of the research. Secondary sources used here include the Annual Reports of HDFC Banks, their Press Releases, journals, articles, and websites. Primary data concerning the workings and environment of the bank was also analysed using observation method.

5.3.2 DATA ANALYSIS TOOLS

With the use of data analysis tools, businesses may better understand their customers' behaviour and make informed decisions by identifying trends and patterns. Whether you want to do basic data analysis or more complex data analysis, there are several online tools available for you to use.

Data collected was organised into tables for better understanding. Graphs were made from the tabulated data for the purpose of analysis and interpretation.

Ratio analysis is the tool that has been used for the study. The various ratios taken for the analysis of the study are

1. Capital Adequacy Ratio
2. Advances to Total Assets Ratio
3. Gross NPA to Gross Advances Ratio
4. Net NPA to Net Advances Ratio
5. Business Per Employee
6. Profit Per Employee
7. Return on Assets
8. Return on Equity
9. Operating Profit to Total Assets
10. Net Profit to Total Assets
11. Liquid Assets to Total Assets
12. Liquid Assets to Total Deposits

- **CAPITAL ADEQUACY**

Capital Adequacy ratio and Advance to total Assets Ration are used to analyse the Capital Adequacy of a bank. The ratio intends to find out the position and strength of the bank by weighing its capital and assets. A bank's capital adequacy reflects its overall soundness. It outlines a bank's capacity to withstand unforeseen losses on its capital. It indicates the banks' overall financial standing, their management's capacity to fulfil the requirement of additional capital , preserve depositor confidence, and, finally, keep the institutions from going bankrupt.

Capital Adequacy Ratio (CAR): Indian public sector banks are encouraged to maintain a CAR of 12%, whereas commercial banks must adhere to RBI regulations and maintain a CAR of 9%.

Ratio	Formula
Capital Adequacy Ratio	Tier I capital + Tier II capital / Risk Weighted Assets * 100
Advances to Total Asset Ratio	Advance / Assets * 100

Table 5.1

Advances to Total Asset Ratio: In essence, this ratio indicates the quantity of assets provided as advances. A bank that is aggressive will make an effort to increase profits by making more advances.

- **ASSET QUALITY**

The financial health and stability of the bank can be assessed by the quality of its assets. Just like any other firm, the quality plays an important role. The quality depends primarily on the debtors of the bank. Asset quality can be measured using ratios such as Gross NPA to Gross Advances and Net NPA to Net Advances. This ratio indicates how good a bank's provisioning practices. Lower ratio indicates a good sign of credit efficiency of a bank whereas, the high ratio indicates bank's weak performance.

Ratio	Formula
Gross NPA to Gross Advances:	Gross NPA / Gross Advances * 100
Net NPA to Net Advances.	Net NPA / Net Advances * 100

Table 5.2

Advances is a sum of money or credit provided by the banks to other individuals, institutions, businesses and other companies to help them meet their short term obligations.

NPA is short for Non- Performing Assets. Non-Performing Assets are loans or advances that are expected not to be paid back. In short, they are defaulted payments.

- **MANAGEMENT EFFICIENCY**

The ability of management to guarantee a safe functioning of an organization via the implementation of necessary internal and external regulations is known as management efficiency. This element's ratios use subjective analysis to gauge the efficacy and efficiency of management.

Business Per Employee: This ratio aids in determining how effectively employees generate business for the bank. It is measured by dividing the total business by the total number of employees.
Business refers to the total amount of deposits and advances made in a given year.

Profit Per Employee: This ratio determines how well an employee generates profit for the banks. This ratio is calculated by dividing the bank's total profit by the total number of workers. The efficiency of employees will increase with a higher ratio.

Return on Assets: A measure of a company's profitability in relation to its total assets is called return on assets. A ROA of 1% to 2% is regarded by most banks as healthy and indicates effective asset use. In addition, rather than concentrating only on transient spikes, banks should aim for a sustainable ROA over time.

Ratio	Business Per Employee	Profit Per Employee	Return on Assets (ROA)	Return on Equity (ROE)
Formula	Total Business (Deposits + Advances) / No. of Employees	Net Profits / No. of Employees	Net profit / Total Assets *100	Net Income / Shareholder's Wealth *100

Table 5.3

Return on Equity: Return on equity is a statistic that tells investors how well a business—or, more precisely, how well its management is using the funds that its shareholders have committed to it—is managing their money. Stated differently, return on equity (ROE) calculates a company's profitability based on the equity held by its stockholders. A typical Return on Equity (ROE) objective for banks might vary greatly, but it usually lies between 8% and 15%.

- **EARNING EFFICIENCY**

The ability of a bank to generate income steadily over time is referred to as earning efficiency. This characteristic indicates how a bank makes its profits as well as how earnings will rise and be sustainable in the future. The growth and productivity of banks can be enhanced by augmenting their earning capacity.

Ratio	Formula
Operating Profit to Total Assets	EBIT / Total Assets *100
Net Profits to Total Assets	Earning after interest and taxes / Total Assets *10

Table 5.4

Operating Profit to Total Assets- This ratio indicates how much operating profits are generated through utilizing assets of the bank. A healthy operating profit to total assets ratio for banks typically falls within the range of 1% to 3%, generally. This indicates efficient utilization of assets to generate profits while managing risk effectively

Net Profit to Total Assets - This ratio indicates how much profit is left after paying off interest and taxes. Again it is calculated against total assets. For banks, a reasonable ratio of net profit to total assets usually falls between 0.5% and 2%. In relation to its total assets, this shows the bank's potential to turn a profit after deducting all of its expenses and provisions. Still, it's critical that banks strike a balance between risk management and profitability.

- **LIQUIDITY POSITION**

Liquidity position shows how fast the assets can be converted into liquid cash or to acquire cash—through a loan or money in the bank—to pay its short-term obligations or liabilities. It is the ratio of real and possible sources of liquidity to actual and potential uses of liquid assets within the same period, representing a bank's anticipated requirement for liquid assets.

Liquidity Assets to Total Assets - The proportion of liquid assets to total assets indicates the overall liquidity position of the bank. Liquid assets include cash in hand, balance with the RBI, balance with other banks (both in India an abroad) and money at call and short notice.

Ratio	Formula
Liquid Assets to Total Assets	Liquid Assets / Total Assets *100
Liquid Assets to Total Deposits	Liquid Assets / Total Deposits *100

Table 5.5

Liquid Assets to Total deposits - This ratio measures the liquidity available to the deposits of a bank. Total deposits include demand deposits, saving deposits, term deposits and deposits of other financial institutions. Liquid assets includes cash in hand, balance with RBI, balance with other banks, and money at calls and short notice

Liquid Assets to Total Assets Ratio measures the availability of liquid assets to meet the short term requirements of the bank.

Liquid Assets to Total Deposits Ratio ensure that the bank has sufficient liquidity to meet deposit withdrawals while also maintaining a buffer for unexpected liquidity needs.

A bank's ideal liquidity ratio is usually determined by a number of variables, such as market conditions, regulatory requirements, and the bank's willingness for risk. To ensure that the

bank can meet its obligations without having to sell illiquid assets or take out loans with unfavorable conditions, a common benchmark is to maintain a liquidity ratio above 1.0, which indicates that the bank's liquid assets are greater than its short-term liabilities. The liquidity ratio range of 1.5 to 2.0 is what many banks strive for in order to make sure they have a cushion for unforeseen liquidity needs.

- **CASA RATIO**

CASA Ratio takes into consideration the total value of demand deposits and savings accounts to the total of deposits to measure the said ratio.

CASA % : Current Deposits + Savings Accounts/ Total Deposits *100

Note: CASA stands for **C**urrent **A**ccount and **S**avings **A**ccount.

The ideal ratio of CASA to total deposits might change based on the market, regulations, and the business model of the bank. A greater CASA ratio is often preferred because it denotes a cheaper funding cost. Banks frequently strive for a CASA ratio of at least 30% to 40%. Nonetheless, certain banks may have CASA ratios that are considerably higher—above 50%—if they have a strong retail emphasis or employ effective deposit mobilization techniques. In the end, the ideal CASA ratio is determined by the unique goals and conditions of the bank.

The ratio show or measures the reliance of the bank on low-cost deposits (low cost deposits being current accounts and savings accounts). The higher the CASA to Total Assets Ratio, lower the cost of funds the bank has to incur.

CHAPTER 6

DATA ANDALYSIS AND INTERPRETATION

6.1 CAPITAL ADEQUACY

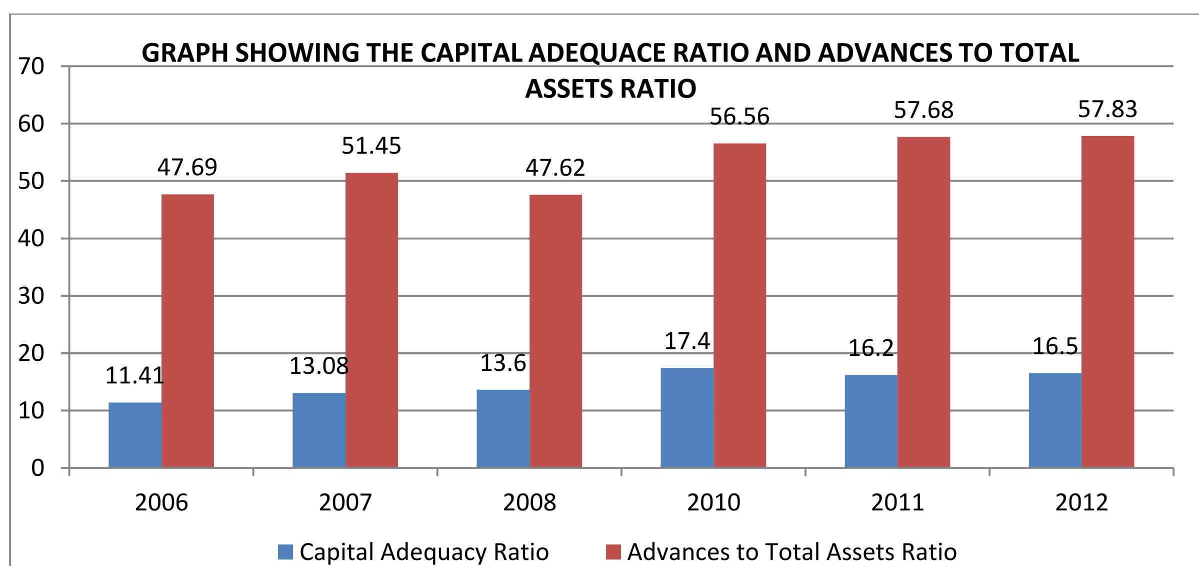
- **ANALYSIS**

	Pre-Merger			Post-Merger		
Year	2006	2007	2008	2010	2011	2012
Total Advances	35,061,26	46,944,78	63,426,90	1,25,83,05,939	1,59,98,26,654	1,95,42,00,292
Total Assets	73,506,39	91,235,61	133,176,60	2,22,45,85,697	2,77,35,25,912	3,379,094,990
Advances to Total Asset Ratio	47.69	51.45	47.62	56.56	57.68	57.83

Table 6.1

	Pre-Merger			Post-Merger		
Year	2006	2007	2008	2010	2011	2012
Capital Adequacy Ratio	11.41	13.08	13.6	17.4	16.2	16.5

Table 6.2



Graph 6.1

- **INTERPRETATION**

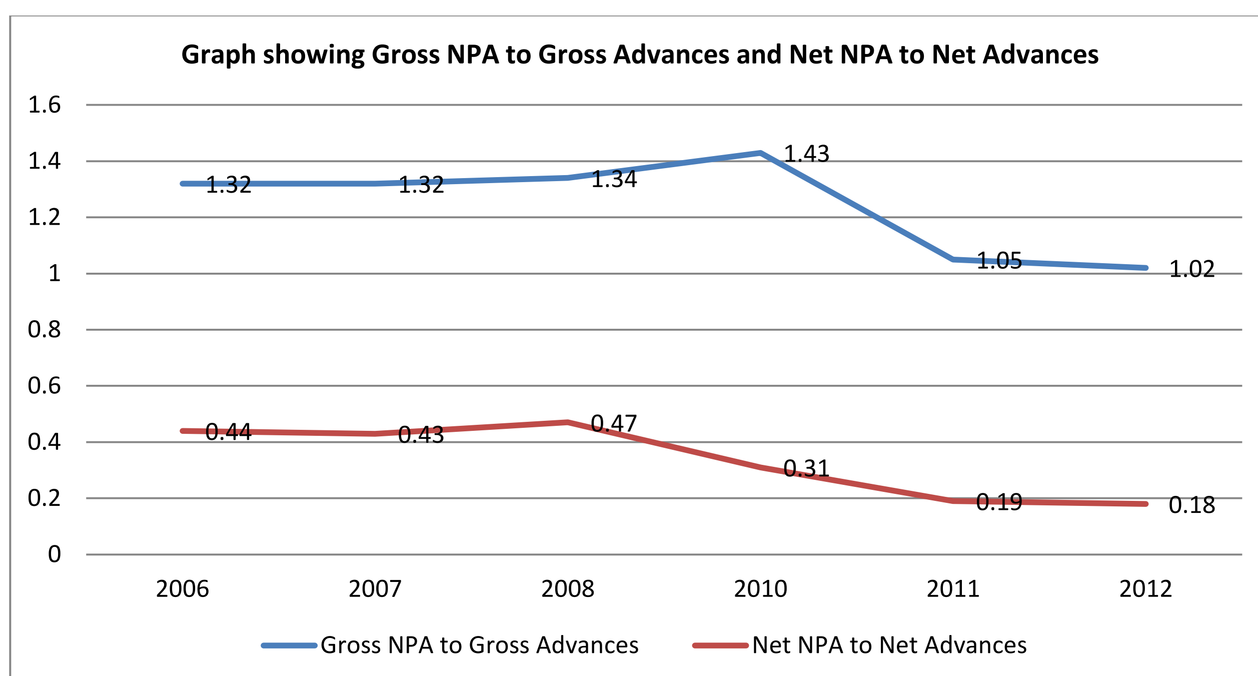
The Capital Adequacy ratio is found to be 11.41% in the year 2005-2006. The ratio increases to 13.08 in FY07 and remains relatively the same with a percentage of 13.6 in 2008. The ratio peeks in 2010 with 17.4% and then proceeds to decline to 16.2% in 2011 and consequently increases to 16.5 in 2012. Whereas, the advances to total assets ratio remains relatively stable throughout the year varying in a range of 47.69 in 2006 and 57.83 in 2012.

6.2 ASSET QUALITY

- **ANALYSIS**

	Pre Merger			Post Merger		
	2006	2007	2008	2010	2011	2012
Gross NPA to Gross Advances	1.32	1.32	1.34	1.43	1.05	1.02
Net NPA to Net Advances	0.44	0.43	0.47	0.31	0.19	0.18

Table 6.3



Graph 6.2

- **INTERPRETATION**

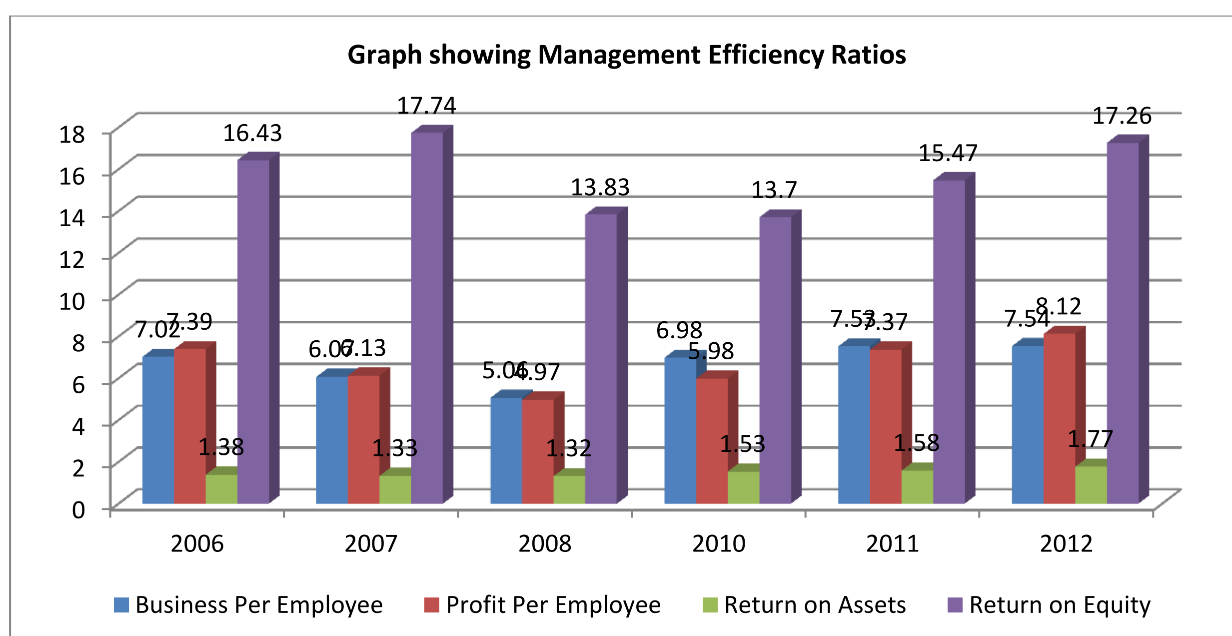
The Gross NPA to Gross Advances ratio does not vary much in the years of 2006. 2007 and 2008 with 1.32%, 1.32% and 1.34% respectively. It then increases to 1.43% in 2010 and then proceeds to fall to 1.05% and 1.02% in 2011 and 2012 respectively. The Net NPA to Net Advances Ratio shows a similar trend to Gross NPA to Gross Advances Ratio. The ratio remains stable in FY06, FY07 and FY08 with 0.44%, 0.43% and 0.47% in that order. The ratio proceeds to fall to 0.31 in 2010 and then further falls to 0.19% in 2011 and 0.18% in 2012.

6.3 MANAGEMENT EFFICIENCY

- **ANALYSIS**

	Year	Business Per Employee	Profit Per Employee	Return on Assets	Return on Equity
Pre Merger	2006	7.02	7.39	1.38	16.43
	2007	6.07	6.13	1.33	17.74
	2008	5.06	4.97	1.32	13.83
Post Merger	2010	6.98	5.98	1.53	13.7
	2011	7.53	7.37	1.58	15.47
	2012	7.54	8.12	1.77	17.26

Table 6.4



Graph 6.3

- **INTERPRETATION**

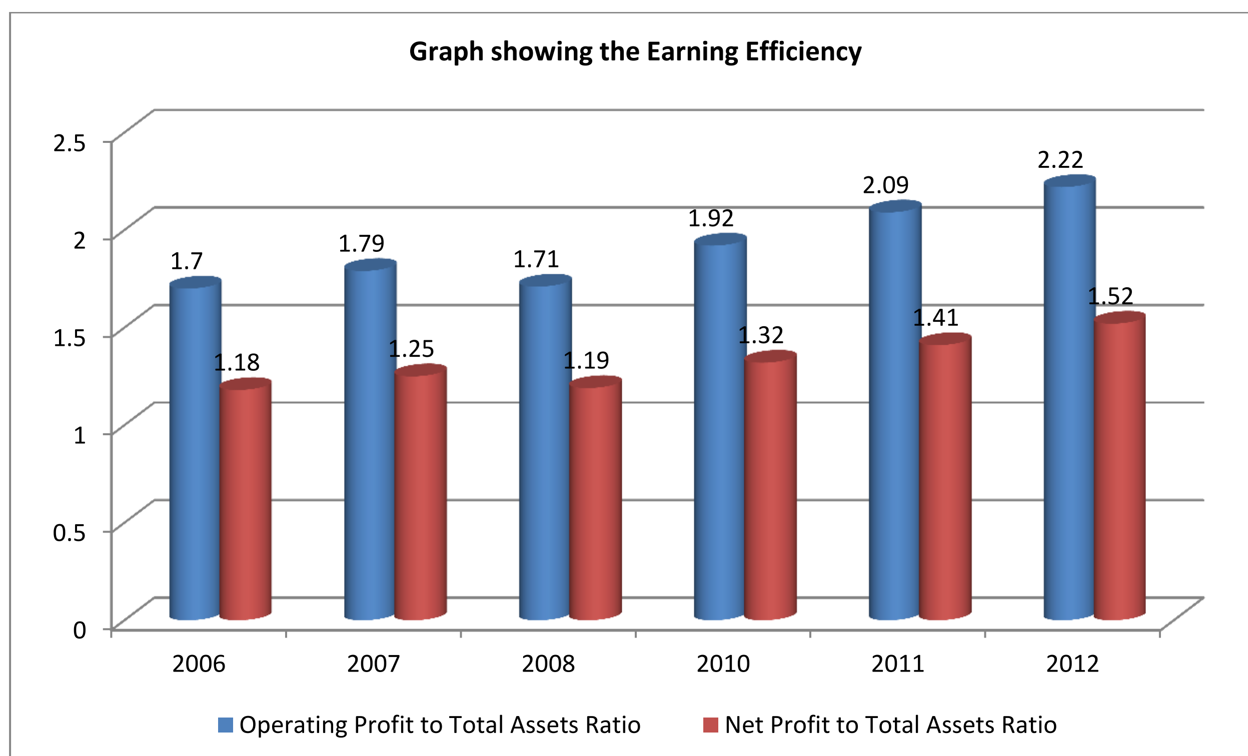
In the year 2006, the business per employee ratio was 7.02%, Profit Per Employee Ratio was 7.39%, Return on Assets (ROA) was 1.38% and Return on Equity was 16.43%. Business Per Employee Ratio then fell to 6.07 and 5.06 in 2007 and 2008 respectively. The ration then increased to 6.98%, 7.53% and 7.54% in the years 2010, 2011 and 2012. The profit per employee ratio faced a fall to 6.13% in 2007, 4.97% in 2008, 5.98% in 2010. The ratio then witnesses an increase to 7.37 in 2011and 8.12% in 2012. Return on Assets remained relatively similar in a range of 1.38% to 1.77%. Whereas, Return on Equity in the year 2007 was 17.74% and then 13.83%, 13.7%,15.47%,17.26 in 2008, 2010, 2011 and 2012 respectively.

6.4 EARNING EFFICIENCY

- **ANALYSIS**

	Pre Merger			Post Merger		
Year	2006	2007	2008	2010	2011	2012
Operating Profit to Total Assets Ratio	1.7	1.79	1.71	1.92	2.09	2.22
Net Profit To Total Assets Ratio	1.18	1.25	1.19	1.32	1.41	1.52

Table 6.5



Graph 6.4

- **INTERPRETATION**

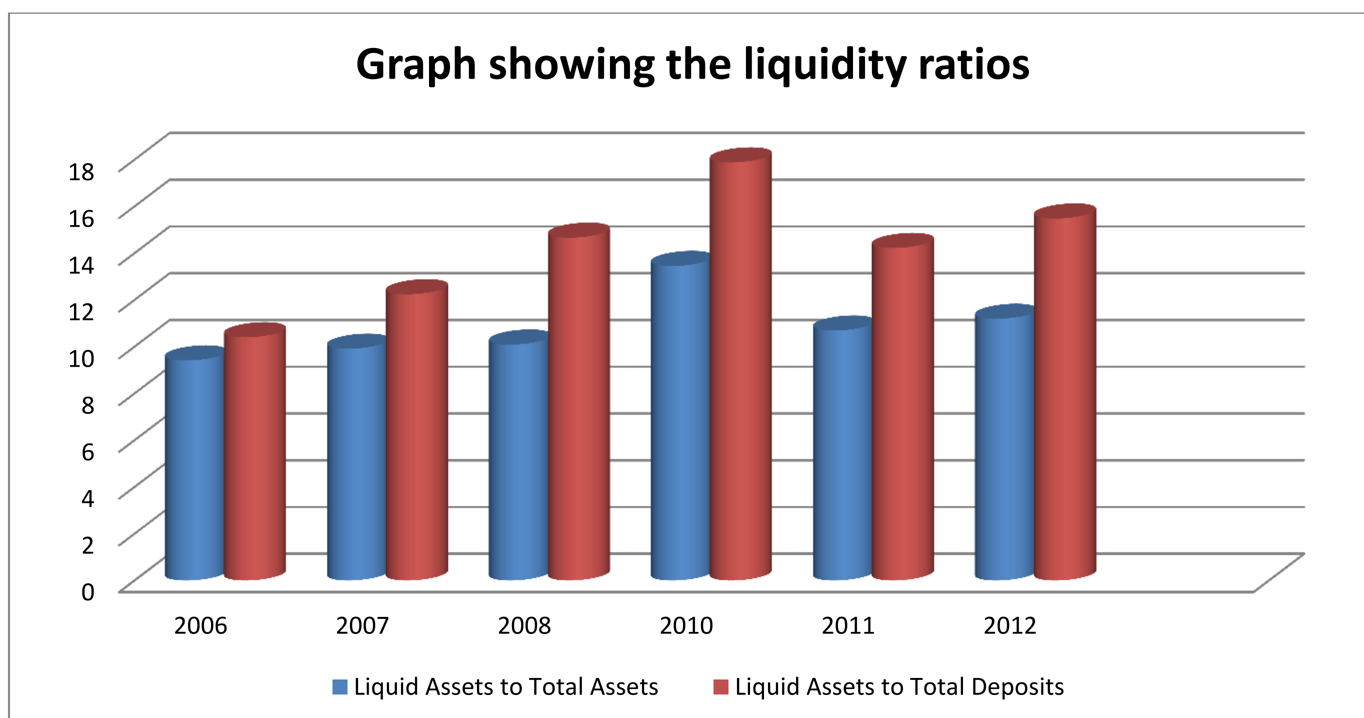
Operating profit to Total Assets ratio for the years 2006 till 2012 are 1.7%, 1.79%, 1.71%, 1.92%, 2.09% and 2.22% respectively. The Net Profit to Total Assets Ratio was 1.18% in 2006 and 1.25% in 2007. The value then fell to 1.19% in 2008 and proceeded to increase to 1.32% in 2010 and 1.41% in 2011 which further increased to 1.52% in 2012.

6.5 LIQUIDITY POSITION

- **ANALYSIS**

Year	2006	2007	2008	2010	2011	2012
Liquid Assets to Total Assets	9.41	9.91	10.09	13.45	10.69	11.19
Liquid Assets to Total Deposits	10.4	12.24	14.66	17.88	14.22	15.48

Table 6.6



Graph 6.5

- **INTERPRETATION**

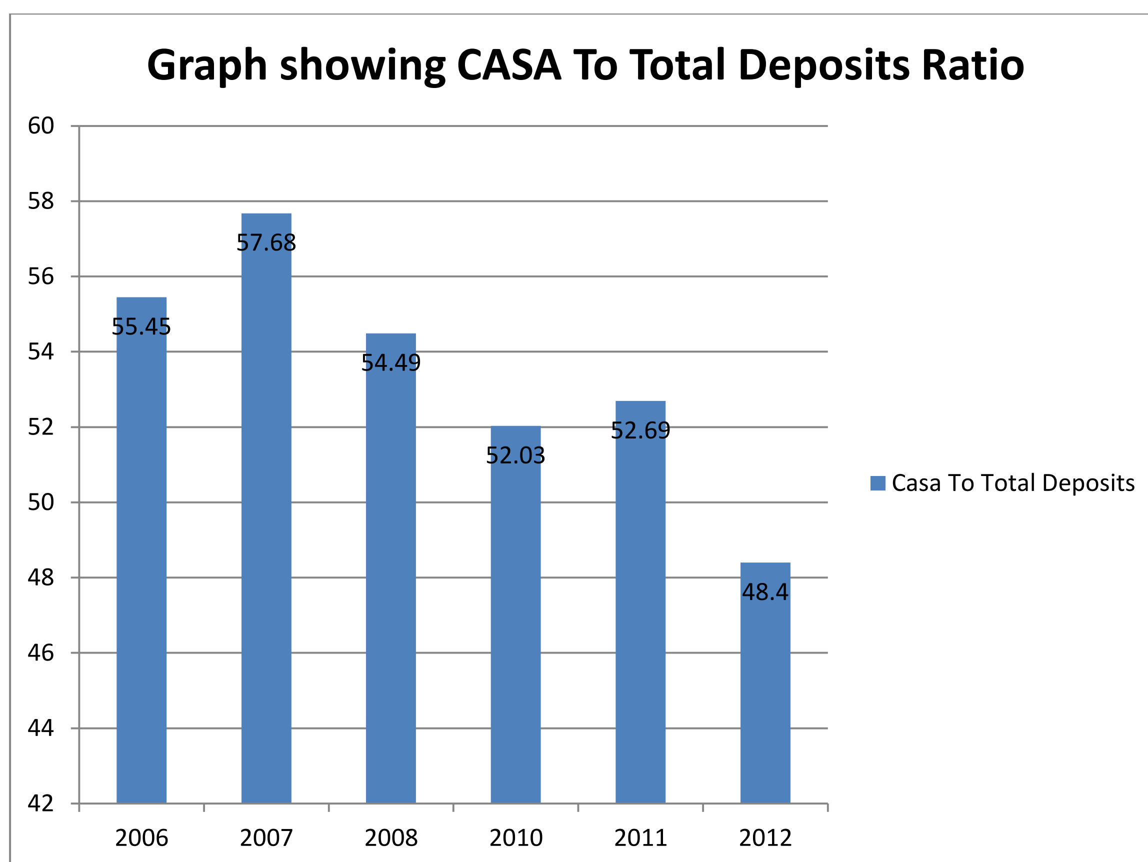
The Liquid Assets to Total Assets Ratio was 9.41% in 2006 which then increased by 0.5 in 2007 which further increased to 10.09% in 2008. The ratio peaked in the year 2010 with 13.45% which then later, in the year, fell to 10.69% and proceeded to rise to 11.9 in the year 2012. Whereas, the liquid Assets to Total Deposits ratio peaked in the year 2012 with a value of 17.88%.

6.6 CASA TO TOTAL DEPOSITS

- **ANALYSIS**

Year	Demand Deposit	Savings Deposit	Total Deposit	CASA
2006	14,752,46	16,185,79	55,796,82	55.45
2007	19,811,84	19,584,82	68,297,94	57.68
2008	28,759,70	26,153,94	100,768,60	54.49
2010	372,270,976	498,767,849	1,674,044,394	52.03
2011	464,604,888	634,477,904	2,085,864,054	52.69
2012	454,078,426	739,980,381	2,467,064,459	48.4

Table 6.7



Graph 6.6

- **INTERPRETATION**

The CASA to Total Deposits Ratio in the year 2006 was 55.45%. The ratio then peaked in 2007 with a percentage of 57.58. On March 2012, the CASA To Total Deposits Ratio was 48.4.

CHAPTER 7

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The Capital Adequacy Ratio pre-merger, in the year ending March 2008, was 47.42%. After the merger of the two banks, the ratio was 56.56% (March 2010). The average CAR of the three years preceding merger showed 48.92% while the years succeeding the said merger showed an average of 57.36. HDFC Bank managed to maintain the prescribed level of CAR by the RBI throughout the year. The ratio increased post-merger.
- Gross NPA to Gross Advances ratio in the years 2006 and 2007 remained the same. The ratio increased to 1.34 in 2008, pre-merger. Post-Merger the value increased to 1.43%. The average of the ratio in the Pre-merger years was more than that of the years after the merger. Net NPA to Net Advances in the year 2008 showed a ratio of 0.47% and 0.31% in 2010. The average similarly fell from 0.45 (pre-merger) to 0.23 (post-merger). The lower the ratio the better. More advances were paid back compared to that of pre-merger years.
- All of the ratios that determine management efficiency of the bank has increased post-merger. They include Profit Per Employee, Business per employee, Return on Assets and Return on Equity. The efficiency has increased after the merger.
- The operating profit to Total Assets Ratio significantly increased after the merger with Centurion Bank. The ratio increased from 1.71% (in March 2008) to 1.92 (in March 2010) and then later to 2.09% in March 2009. The average of Net Profit to Total Assets ratio in pre-merger years was 1.207% which increased to 1.417% post-merger. These ratios show that the banks the earning efficiency has increased after the merger i.e., the bank is earning better after the merger.
- Liquid Assets to Total Assets ratio increased from 10.09% (as of March 2008) to 13.45% (as of March 2010). The mean of the said ratio rose from 9.80% to 11.78% after the merger. Similarly, the mean of Liquid Assets to Total Deposits, in the pre-merger years, rose from 12.44% to 15.86% in the years after the merger. From the figures, it is evident that there has been a significant in the liquidity ratio of the bank. Thus, this means the bank is in a better position to meets its obligations, especially in times of uncertainties and would still have sufficient resources to meet its day to day operations.
- As it is evident from the table provided above, the number of deposits, both savings as well as current deposits, increased by a large value post the merger. The deposits of the

Centurion Bank as well as that of HDFC came together to form such a number. There was a drastic increase from 28,759,70 (in 2008) to 372,270,976 (in 2010) in case of demand deposits and 26,153,94 (in 2008) to 498,767,849 (in 2010) in the case of savings deposits. Although there was in increase in the number of the deposits, the mean of the ratio fell from 55.87% pre-merger to 51.04% post-merger. The higher the CASA to Total Deposits ratio, lower the cost of funds the bank has to incur. As the fall in the values is not drastic, it won't affect the performance in a destructive manner.

SUGGESTIONS

- Make sure that upcoming merger and acquisition endeavours are in line with the strategic goals and core strengths of HDFC Bank. Consider whether a potential target can improve the competitiveness, geographic reach, product offerings, or technology capabilities of the bank.
- Create thorough integration strategies in advance of any upcoming mergers or acquisitions, with an emphasis on keeping critical personnel, minimizing operational interruption, and maximizing value creation through the capture of synergies. Set up distinct routes of communication and benchmarks to monitor advancement during the integration procedure.
- Evaluate and reduce possible risks related to M&A operations, such as financial stability, cultural differences, and regulatory compliance. Throughout the course of a deal, identify, track, and reduce any risks by putting in place strong risk management frameworks.
- Throughout the M&A process, interact with important stakeholders such as staff members, clients, investors, and regulators to guarantee openness and foster confidence. To keep stakeholders confident, proactively address any worries or questions and explain the thinking behind strategic choices.
- Track advancement in relation to pre-established metrics and goals by continuously observing and assessing the financial performance of acquired firms after integration. To address any divergences from anticipated results and maximize long-term value development, modify tactics as needed.
- To encourage cooperation and alignment among staff members with diverse organizational backgrounds, pay special attention to cultural integration initiatives. To

encourage a unified and welcoming corporate culture inside the combined company, fund cultural sensitivity programs and training.

- Verify that all planned M&A transactions comply with all applicable regulations and secure the required regulatory authority approvals. Communicate with authorities in a proactive manner to resolve any issues and show your dedication to risk management and regulatory compliance.
- By performing post-mortem evaluations of completed M&A transactions to uncover lessons learned and best practices for future acquisitions, you can help cultivate a culture of continuous learning and improvement. Promote information exchange and cross-functional cooperation to maximize the execution of M&A in the future by utilizing lessons learned from previous experiences.
- To reduce customer attrition and increase loyalty, give top priority to providing outstanding customer experiences during the M&A process. Utilize data analytics and methods for gathering client feedback to comprehend how customer wants and preferences are changing and adjust products and services accordingly. This will in turn increase the current deposits and savings deposits and other deposits.

CONCLUSION

In conclusion, this study has provided valuable insights into the impact of mergers and acquisitions on the financial performance of HDFC Bank. Through a comprehensive analysis of pre and post-merger/acquisition data, coupled with a review of existing literature and industry best practices, several key findings have emerged.

Out of the 7 aspects analyzed in this study, 6 aspects showed a positive change. The six aspects being, Capital Adequacy, Asset Quality, Earning Efficiency, Management Efficiency and Liquidity Position. The CASA to Total Deposits Ratio was the only aspect that showeda slightly negative change. But it is important to understand the change wasn't so drastic that it effects the efficiency of the bank.

In light of these findings, it is recommended that HDFC Bank continue to evaluate potential M&A opportunities judiciously, focusing on transactions that align with its strategic objectives and offer clear synergies and value-enhancing opportunities. By remaining vigilant, adaptable, and responsive to changing market dynamics, HDFC Bank can position itself for continued success and leadership in the banking industry

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