

# A COMPARATIVE STUDY ON CASH FLOW STATEMENTS OF HDFC AND SBI BANKS

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*Abstract - A Cash flow statement depicts the changes in the cash position of an organization from one period to another. It has become mandatory to the company's financial year to present cash flow statement in their annual reports. Based on the cash flow statement a firm can forecast its profit for the forth coming periods (days, months and next year). According Standards(AS -3) guidelines has been issued by the Institute of Chartered Accounts of India (ICAI) for the Cash Flow Statement. According to the standards, all the cash transactions of the company are divided into three activities-Operating, Investing and Financing Activities. This bifurcation of the activities is very vital because it helps the stakeholders and investors in analyzing and interpreting the cash flow data. In this paper, a comparative study has been between two banks HDFC (private sector) and SBI (public sector).*

*Keywords: Cash, Operating, Investing and financing Activities.*

## INTRODUCTION

Cash is considered to be one of the important liquid assets of an organization. The financial strength of the organization is depicted by the cash and its equivalents. It proves very useful to the management by providing a basis to evaluate the ability of the company to generate cash. A cash flow statement prepared on an estimated basis for the next accounting period enables the management to know much cash can be generated internally and how much it should be arrange from outside. Such estimates can be used for preparing cash budget. It helps the users in comparing the present value of the future cash flows of the different organizations. Various enterprises can be compared by looking into the operating performance. Historical Information of cash is very important for the future predictions related to the cash inflows. To ascertain the profitability of the organizations, cash flow statements play a very vital role. There are many uses of the cash flow statements.

- Very useful for cash planning.
- It's very useful for the payments of dividends.
- To ascertain the liquidity and solvency position of the organization.

In this paper, a comparative study has been undertaken about the Cash flow statements between HDFC and SBI.

## REVIEW OF LITERATURE

The authors of "Monitoring Distressed Companies through Cash Flow Analysis" claim that *cash flow from operations to net income* ratio is one of the main profitability indicators and it includes coefficients which measures a company's achievements by using operating cash flow. (Fawzi N. S. Kamaluddin A., 2015).

*Cash flow from investing activities to total liability* ratio indicates company's ability to cover its total debt with cash. This ratio has a significant negative relationship with financial distress. (Fawzi N. S., Kamaluddin A., 2015) The authors conclude that this ratio provides a notion of a company's future liability settlement possibilities. If the ratio value is negative for a period of several years, then that means that the company's management board is investing additional resources into increasing the company's assets thus causing asset growth.

*Cash flow from investing activities to assets ratio.* This ratio is also known as asset increase rate, because it indicates the current portion of company assets which are reinvested in long-term investments over a certain period of time. (Subatnieks K.,2008) A negative cash flow from investing activity value indicates that the company invests additional assets in the development of the company. After interpreting the negative ratio value, authors point out that a negative cash flow from investing activities to assets ratio indicates an increase of material or immaterial assets of a company. Positive ratio value indicates a decrease of material or immaterial assets of a company.

*Cash flow from investing activities to net turnover ratio* has two different results and interpretations. A negative ratio value points to a company expanding and increasing its profits in the future. Positive value means that a company is declining and is selling its capital assets and other long-term investments. (Subatnieks K., 2008) The authors believe that a negative ratio value is necessary for long-term growth, therefore, when evaluating the financial state of a company, the management board of the company has to take into account the ratio of the current growth tendencies when making decisions regarding further development prospects.

*Cash flow from financing activities to total liabilities ratio* measures the cash generated from financing activities to meet its obligation in the long run. (Fawzi N. S., Kamaluddin A.,2015) This ratio value is essential for financial analysis, because it shows the quality of the cashflow from financing activities.

### **Objectives of the Study**

- To analyze the trends of various activities such as Operating, Investing and financing of select banks.
- To study the variation among the activities of the banks.

### **Hypothesis of the Study**

- 1) There is no significant difference between the Trends of Operating, Investing and Financing activities of the select banks.
- 2) There is no significant difference between the means of Operating, Investing and Financing activities of the select banks.

### **Statistical Tools & Techniques**

The statistical tools used for the analyze the cash flow statement is

- ✓ Mean
- ✓ Standard Deviation &
- ✓ T-Test

### **DATA ANALYSIS & INTERPRETATION:**

The cash flow statements of the select banks *viz.* HDFC & SBI are taken from the Annual Reports of last five years ( from 2015-16 to 2019-20) and applied the following statistical tools like descriptive statistics with mean and standard deviation. Apart from this, the researchers also applied the Paired Two Samples t-test to measure the significant differences between the cash flow statements of HDFC and SBI with respect to “Operating activities, Investing activities and Financing activities”.

***The data analysis has carried out in three stages mentioned as:***

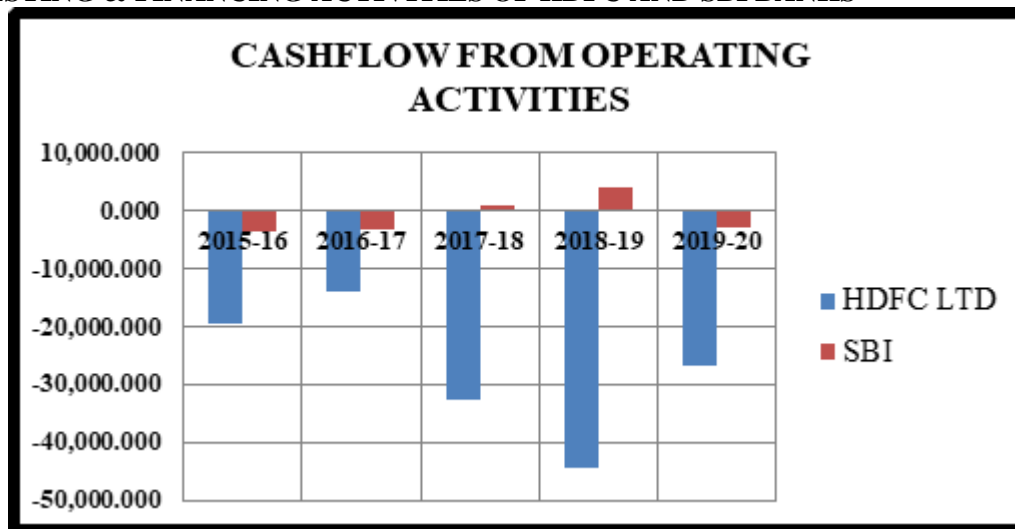
1. ***Descriptive Statistics (Mean & SD)*** of the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.
2. ***Graphical Presentation*** of the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.
3. ***Hypothesis testing*** of significant differences among the two banks HDFC and SBI with respect to the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.

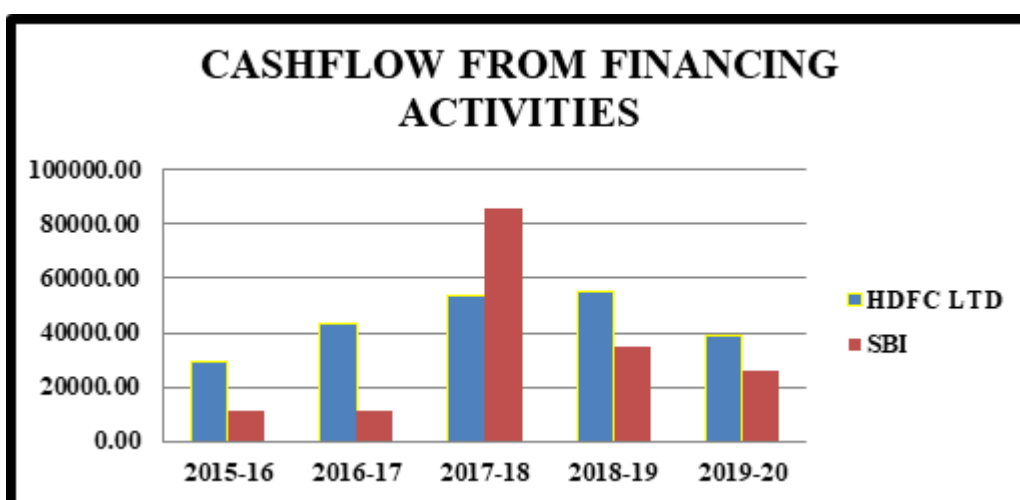
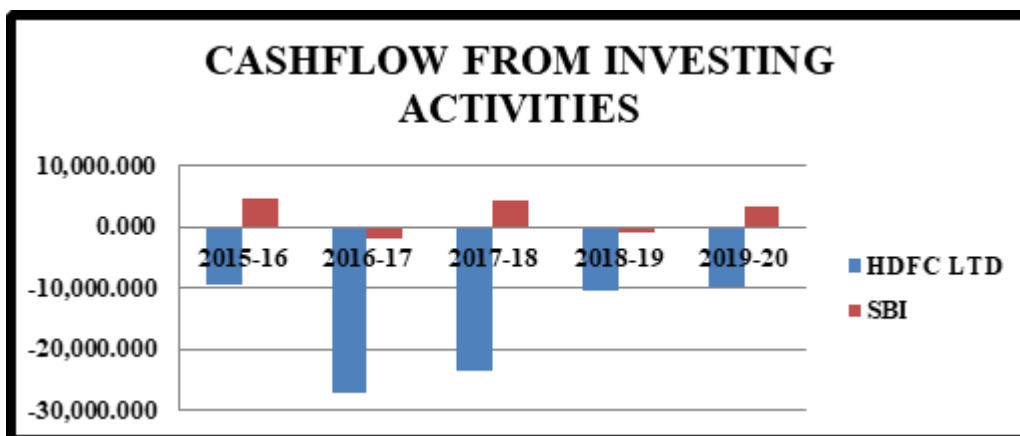
1. *Descriptive Statistics (Mean & SD)* of the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.

	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING ACTIVITIES	
	HDFC LTD	SBI	HDFC LTD	SBI	HDFC LTD	SBI
<b>2015-16</b>	-19,586.640	-3,748.370	-9,312.290	4,505.870	28986.82	11196.54
<b>2016-17</b>	-14,173.090	-3,148.440	-27,228.290	-1,780.270	43127.32	11060.32
<b>2017-18</b>	-32,863.400	879.080	-23,706.850	4,290.910	54027.93	85425.24
<b>2018-19</b>	-44,301.420	3,958.590	-10,315.610	-1,087.820	54985.63	34627.51
<b>2019-20</b>	-26,885.010	-2,976.770	-9,873.650	3,352.160	38773.81	25687.86
<b>Total</b>	-1,37,809.560	-5,035.910	-80,436.690	9,280.850	2,19,901.51	1,67,997.47
<b>Average</b>	-27,561.912	-1,007.182	-16,087.338	1,856.170	43,980.30	33,599.49
<b>Rank</b>	2	1	2	1	1	2
<b>S.D</b>	11,743.515	3,323.975	8,660.280	3,044.570	10,893.94	30,657.24
<b>Rank</b>	1	2	1	2	2.00	1.00

2. *Graphical Presentation* of the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.

**GRAPHICAL REPRESENTATION OF CASHFLOW STATEMENTS of OPERATING, INVESTING & FINANCING ACTIVITIES OF HDFC AND SBI BANKS**





3. *Hypothesis testing* of significant differences among the two banks HDFC and SBI with respect to the cash flow statements of Operating, Investing and Financing Activities of HDFC and SBI Banks.

	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING ACTIVITIES	
	HDFC	SBI	HDFC	SBI	HDFC	SBI
Mean	-27561.912	-1007.182	-16087.338	1856.17	43980.302	33599.494
Variance	137910154	11048812.56	75000453.2	9269407.008	118677928	939866357.6
Observations	5	5	5	5	5	5
Pearson Correlation	-0.9285759		0.3054730		0.6949221	
Hypothesized Mean Difference	0		0		0	
df	4		4		4	
t Stat	-3.9901197		-4.8598616		0.9521139	
P(T<=t) one-tail	0.0081316		0.0041401		0.1974774	
t Critical one-tail	2.1318468		2.1318468		2.1318468	
P(T<=t) two-	0.0162633		0.0082801		0.3949549	

tail					
t Critical two-tail	2.7764451		2.7764451		2.7764451

- From the above table it can be seen that the average of cash flow from operating and investing activities of SBI is higher than that of HDFC. Theoretically higher the average, higher will be the rank and vice versa. So SBI is given rank1 and HDFC rank 2. But for the financing activities HDFC rank 1 is given and SBI is ranked 2.
- In case of Standard Deviation, lower the value, higher will be the rank and vice versa. It is observed that the Standard Deviation for operating and investing activities of HDFC is lower than SBI, so for two activities HDFC is given rank 1 but for financing activity SBI is ranked 1 and HDFC is ranked 2.

**Table – 2: Summary of Paired Two Sample t-test**

ACTIVITIES	t-Stat	t -critical value	Hypothesis accepted or rejected
<i>Operating Activities</i>	-3.990	2.78	Accepted
<i>Investing Activities</i>	-4.859	2.78	Accepted
<i>Financing Activities</i>	0.952	2.78	Accepted

#### INTERPRETATION OF RESULTS

- 1) From the table-3, it is observed that the calculated value of t for operating activities (- 3.990) is less than the table value (2.78), the hypothesis is accepted. It means that there is no significance difference between the operating activities of selected banks.
- 2) For, Investing activities, the calculated value of t is (-4.859) is less than the table value (2.78), the hypothesis is accepted. It means that there is no significant difference between the means of investing activities of selected banks.
- 3) For, financing activities also, calculated value of t (0.952) is less than the table value (2.78), the hypothesis is accepted. It means that there is no significant difference between the means of financing activities of selected banks.

**Table – 3: OVER ALL CONCLUSION**

<i>Level of performance</i>	<i>Operating Activities</i>	<i>Investing Activities</i>	<i>Financing Activities</i>
<b>BEST</b>	<b>SBI</b>	<b>SBI</b>	<b>HDFC</b>
<b>POOR</b>	<b>HDFC</b>	<b>HDFC</b>	<b>SBI</b>

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