CASH FLOW STATEMENTS OF STATE BANK OF INDIA AND HDFC BANK: A COMPARATIVE STUDY

Dr. BHAVSINH M. DODIYA	(ASSISTANT PROFESSOR, J.C. DHANK ARTS AND COMMERCE COLLEGE, BAGASARA)
KALPESH GELDA	(ASSISTANT PROFESSOR, NATIONAL COLLEGE OF COMMERCE, AHMEDABAD)

ABSTRACT

From the financial year 2004-05, it has become mandatory for all the Indian companies to present Cash Flow Statement in their Annual Reports. Institute of Chartered Accounts of India (ICAI) has issued Accounting Standard-3 (AS-3) for the cash flow statement. According to this, all the cash transactions of the company are divided in three activities i.e. Operating, Investing and Financing activities. Such classification helps the investors and other stakeholders in analyzing the cash flow data. In this paper, a comparative study has been undertaken between two banks: State Bank of India (a public sector bank) and HDFC Bank (a private sector bank).

KEYWORDS	Cash, Cash equivalents, Operating Activities, Investing Activities, Financing Activities

INTRODUCTION :-

By studying cash flow statements, one can come to know about the capacity of the organizations to generate cash and cash equivalents. It helps the users in comparing the present value of the future cash flows of the different organizations. It removes the effects of using different accounting treatments for the repeated transactions and events. In this way, it improves the comparison of the various enterprises' reporting about operating performance. To know about the amount, timing and surety of future cash flows, historical information about cash flow is used. It is also helpful in checking the correctness of the past judgments of future cash flows. It also helps in determining the relationship between cash flow and profitability and the effect of inflation.

Cash flow statements are provided with the other financial statements in the annual reports of the companies. The information provided in these statements helps the users

- To find out the changes in net assets of an organization
- To find out the changes in the financial structure of an organization
- To find out the liquidity and solvency position of an organization
- To know about the ability of an organization to make changes in time if the circumstances and opportunities are changing.

In this paper, a comparative study has been undertaken about the cash flow statement between a public sector bank (State Bank of India) and a private sector bank (HDFC Bank).

RESEARCH METHODOLOGY:-
❖ SAMPLE SELECTION
For the purpose of the study two (2) banks State Bank of India and HDFC Bank have been selected.

❖ PERIOD OF STUDY
The study is conducted for a period of five (5) financial years i.e. from 2009–'10 to 2013–'14.

❖ DATA COLLECTION
In this study, mainly secondary data is collected. Secondary data has been obtained from the following sources :

- Published Annual Reports of the companies for the financial years 2009-'10 to 2013-'14.
- Directory of Mumbai Stock Exchange
- Websites of the selected companies
- Other related websites

OBJECTIVES
There are three important activities which are the significant parts of Cash Flow Statements. The analysis of all these activities is undertaken with the following objectives:

(1) To study the trend of various activities such as Operating, Investing and Financing   of selected companies of chemical industry.
(2) To analyze the variation amongst three activities i.e. Operating, Investing and Financing   of the selected companies of chemical industry.
(3) To provide suggestions for improvement in Cash Management.

HYPOTHESES
Considering the objectives of the study the following hypothesis were formed under investigation:

(1) There is no significant difference between the trends of Operating activities of the selected banks.
(2) There is no significant difference between the trends of Investing activities of the selected banks.
(3) There is no significant difference between the trends of Financing activities of the selected banks.
(4) There is no significant difference between the means of Operating activities of the selected banks.
(5) There is no significant difference between the means of Investing activities of the selected banks.
(6) There is no significant difference between the means of Financing activities of the selected banks.
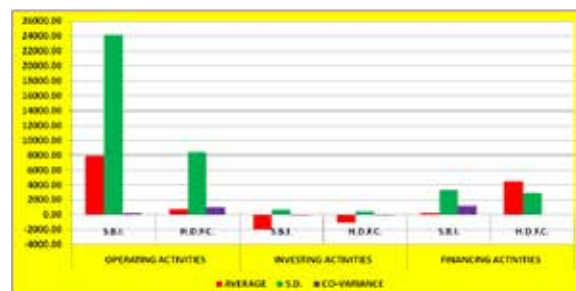
STATISTICAL TOOLS AND TECHNIQUES
The statistical analysis technique is selected to analyze the Cash Flow Statements of the companies understudy. For this, following techniques are being used.

Mean
Standard Deviation
Co – efficient of Variation
T-Test

STATISTICAL ANALYSIS (MEAN, STANDARD DEVIATION AND CO-VARIANCE)

YEAR	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING ACTIVITIES	
	S.B.I.	H.D.F.C.	S.B.I.	H.D.F.C.	S.B.I.	H.D.F.C.
2009-10	-1804.99	9389.89	-1761.52	-551.51	-3359.67	3598.91
2010-11	34282.27	-375.83	-1245.28	-1122.74	2057.11	1227.99
2011-12	-28468.59	-11355.61	-1648.56	-686.85	2147.66	3286.19
2012-13	21661.23	-1868.78	-1999.41	-858.88	-3259.72	9065.84
2013-14	14,107.42	8363.6	-3,105.67	-1591.26	3,811.17	5562.98
TOTAL	39777.34	4153.27	-9760.44	-4811.24	1396.55	22741.91
AVERAGE	7955.47	830.65	-1952.09	-962.25	279.31	4548.38
RANK	1	2	2	1	2	1
S.D.	24190.77	8474.28	700.18	411.29	3350.08	2956.20
RANK	2	1	2	1	2	1
CO-VARIANCE	304.08	1020.19	-35.87	-42.74	1199.41	64.99
RANK	1	2	2	1	2	1

Cash flow from Operating Activities

Cash flow from Investing Activities

Cash flow from Financing Activities

TREND ANALYSIS OF AVERAGE, S.D. & CO-VARIANCE

FINDINGS :

(1) From the table, it can be seen that the average of cash flow from operating activities of S.B.I. is higher than that of H.D.F.C. Theoretically, higher the average, higher will be the rank and vice versa. So, S.B.I. is given 1st rank and H.D.F.C. is given 2nd rank. But, the situation is totally different in investing and financing activities. Accordingly, H.D.F.C. is given 1st rank and S.B.I. is given 2nd rank.

(2) In case of Standard Deviation, lower the value, higher will be the rank and vice versa. Considering this aspect, it is observed that the S.D. for all the three activities of H.D.F.C. bank is lower than the S.B.I. bank. So, for the three activities, H.D.F.C. bank obtained 1st rank and S.B.I. obtained 2nd rank.

(3) In case of Co-variance also, lower the value, higher will be the rank and vice versa. Situation remains same in Co-variance also. Co-variance for all the three activities of H.D.F.C. bank is lower than the S.B.I. bank. So, for all the three activities, H.D.F.C. bank obtained 1st rank and S.B.I. obtained 2nd rank.

OVERALL CONCLUSION

Level of Performance	Operating Activities	Investing Activities	Financing Activities
Best	S.B.I.	H.D.F.C.	H.D.F.C.
Poor	H.D.F.C.	S.B.I.	S.B.I.

t-Test: Paired Two Sample for Means for Operating Activities		
	S.B.I.	H.D.F.C.
Mean	7955.468	830.654
Variance	585193367.6	71813343.55

Observations	5	5
Hypothesized Mean Difference	7124.82	
df	4	
t Stat	-6.073E-07	
t Critical two-tail	2.776445105	

PAIRED T-TEST BETWEEN TWO MEANS

t-Test: Paired Two Sample for Means for Investing Activities		
	S.B.I.	H.D.F.C.
Mean	-1952.088	-962.248
Variance	490253.44	169162.121
Observations	5	5
Hypothesized Mean Difference	989.84	
df	4	
t Stat	-8.4438538	
t Critical two-tail	2.77644511	

t-Test: Paired Two Sample for Means Financing Activities		
	S.B.I.	H.D.F.C.
Mean	279.31	4548.382
Variance	11223062.1	8739116.16
Observations	5	5
Hypothesized Mean Difference	4269.07	
df	4	
t Stat	-3.572023598	
t Critical two-tail	2.776445105	

ACTIVITIES	tc	tt	HYPOTHESIS ACCEPTED OR REJECTED
OPERATING ACTIVITIES	-6.07	2.78	ACCEPTED
INVESTING ACTIVITIES	-8.44	2.78	ACCEPTED
FINANCING ACTIVITIES	-3.57	2.78	ACCEPTED

HYPOTHESIS TESTING :

(1) In case of operating activities, the trend for average, standard deviation and co-variance is different for both the banks. So, it can be said that the hypothesis is rejected.

(2) But, for investing activities, the trend for average, standard deviation and co-variance is equal for both the banks. So, it can be said that the hypothesis is accepted.

(3) For financing activities also, the trend for average, standard deviation and co-variance is equal for both the banks. So, it can be said that the hypothesis is accepted.

(4) From the T-table, it is observed that the calculated value of t for operating activities (-6.07) is less than the table value (2.78), the hypothesis is accepted. It means that there is no significant difference between the means of operating activities of selected banks.

(5) For Investing activities also, calculated value of t for operating activities (-8.44) 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.

(6) For Financing activities also, calculated value of t for operating activities (-3.57) 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.

LIMITATIONS OF THE STUDY :-

This study is entirely based on the published financial statements of the company and other information received from the company officials. So, all analysis is based on this data. So it can be reliable to that extent.

(1) As the information is collected from limited sources, it is not possible to use different   tools and techniques of statistical analysis.

(2) The study is based on secondary data; the secondary data has its own limitation.

(3) The entire study is limited to two banks only. It can be carried out by including Industry.

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