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*Research Paper*

# BUDGET AND BUDGETARY CONTROL AT HDFC Bank Ltd

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**ABSTRACT**

No system of planning can be successful without having an effective and efficient system of control. Budgeting is closely connected with control. The exercise of control in the organization with the help of budgets is known as budgetary control. The process of budgetary control includes: Preparation of various budgets Continuous comparison of actual performance with budgetary performance, Revision of budgets in the light of changed circumstances. A system of budgetary control should not become rigid. There should be enough scope of flexibility to provide for individual initiative and drive. Budgetary control is an important device for making the organization. More efficient on all fronts. It is an important tool for controlling costs and achieving the overall objectives.

**INTRODUCTION:**

"The establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision".

A budget is a quantitative expression of a plan of action relating to the forthcoming budget period. It represents a written operational plan of management for the budget period.‖ A plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure, and the capital to be employed, may be drawn up showing incremental effects on former budgeted or actual figures, or be compiled by zero based budgeting‖. Budget and Budgetary control. The terms budget and budgetary control are often used interchangeable to refer to a system of managerial control. Budgetary control implies the use of a comprehensive system of budgeting to aid management in carrying out its functions like planning, co-ordination and control.

**BUDGET:**

According to Institute of Chartered Management Accountants (ICMA) England –A plan qualified in monetary term prepared and approved prior to a defined period of time usually showing planned income to be generated and or to be incurred during that period and the capital to be employed to attain a given objective‖.

**Budgetary control methods**

**a) Budget:**

- A formal statement of the financial resources set aside for carrying out specific activities in agiven period of time.
- It helps to co-ordinate the activities of the organization.
- An example would be an advertising budget or sales force budget.

**b) Budgetary control:**

- A control technique whereby actual results are compared with budgets.
- Any differences (variances) are made the responsibility of key individuals who caneither exercise control action or revise the original budgets.

**Budgetary control and responsibility centres;**

These enable managers to monitor organizational functions.

A responsibility centre can be defined as any functional unit headed by a manager who isresponsible for the activities of that unit.

There are four types of responsibility centres:

- **Revenue centres:** Organizational units in which outputs are measured in monetary terms but are not directly compared to input costs.
- **Expense centres:** Units where inputs are measured in monetary terms but outputs are not.
- **Profit centres:** Where performance is measured by the difference between revenues (outputs) and expenditure (inputs). Inter-departmental sales are often made using "transfer prices".
- **Investment centres :** Where outputs are compared with the assets employed in producing them, i.e. ROI.

**NEED OF THE STUDY**

- To know about the budget and budgetary control of a **–The Housing Development Finance Corporation Limited (HDFC)**.‖
- To know about the status of a company by different financial Budgetary policies.
- To know about the present scenario of Thermal companies Investment estimation thatare existed in the market.
- To know about the present impact of budgetary control on the Financial position of the company.
- To know about the fast performance to based on future Estimation of the budgetarycontrol of the techniques.

**SCOPE OF THE STUDY**

The scope of the study limited to collecting the data published in the reports of the company and opinions of the employees of the organization with reference to the objective stated above and theoretical framework of the data. With a view to suggest solutions to various problems relating to budget and budgetary control.

**OBJECTIVE OF THE STUDY**

- To provide the material frame work of budget and budgetary control
- To describe the profit of the organization as a backdrop for undertaking a study of budgetary control system.
- To analyze the budgetary system in practice in **The Housing Development Finance Corporation Limited (HDFC)** with particular reference to their objectives and phases of organizational and re-appropriation.
- In addition to the analysis of the conventional budgetary system in practice in **The Housing Development Finance Corporation Limited (HDFC)**. The study aims at evaluation and modification to the current budgetary system with reference to the various types of budgets. The scope in the formulation of performance budget is also studied.
- To study the budgeted estimates and accruals of the revenue expenditure and revenue receipts.
- To study the variations of the accruals from the budgeted estimates.
- To study the working of the financial department at **The Housing Development Finance Corporation Limited (HDFC)**.

**METHODOLOGY OF THE STUDY**

Research is the systematic investigation of fact that seeks to establish relationship between two types.

**Primary data:**

- Officers of accounts sections.
- Executives and staff of financial and accounts department.

- Meeting with concerned people.
- Personal observation.

**Secondary data:**

- Annual reports of **The Housing Development Finance Corporation Limited (HDFC)**. Financial management text books.
- Printed Materials.
- Journals and magazines
- News papers.

**LIMITATIONS OF THE STUDY**

- The study is purely based on the information provided by the company and the data is collected from the reports, annual reports, and magazines of the company.
- Estimates are used as basis for budget plan and estimates are based mostly on availablefacts and best managerial judgment
- Budgetary control cannot reduce the managerial function to a formula. It is only a managerial.
- Tool which increase effectiveness of managerial control.
- The use of budget may be to restricted use of resources. Budgets an often taken aslimits.

## REVIEW OF LITERATURE

**INTRODUCTION TO BUDGET AND BUDGETARY CONROL**

**Meaning:**

Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded.

The comparison of budgeted and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end-result.

**Definitions:**

–According to Brown and Howard, –Budgetary control is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability.‖ Weldon characterizes budgetary control as planning in advance of the various functions of a business so that the business as a whole is controlled.

J. Batty defines it as, –A system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities and services. Welsch relates budgetary controlwith day-to-day control process.‖ According to him, –Budgetary control involves the use of budget and budgetary reports, throughout the period to co-ordinate, evaluate and control day- to-day operations in accordance with the goals specified by the budget.‖

**From the above given definitions it is clear that budgetary control involves the follows:**

The objects are set by preparing budgets.

- The business is divided into various responsibility centres for preparing various budgets.
- The actual figures are recorded.
- The budgeted and actual figures are compared for studying the performance of differentcost centres.
- If actual performance is less than the budgeted norms, a remedial action is taken immediately.

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**OBJECTIVES OF BUDGETARY CONTROL:**

Budgetary control is essential for policy planning and control. It also acts an instrument of co-ordination.

**The main objectives of budgetary control are the follows:**

- To ensure planning for future by setting up various budgets, the requirements andexpected performance of the enterprise are anticipated.
- To operate various cost centres and departments with efficiency and economy.
- Elimination of wastes and increase in profitability.
- To anticipate capital expenditure for future.
- To centralise the control system.
- Correction of deviations from the established standards.
- Fixation of responsibility of various individuals in the organization.

**INDUSTRY PROFILE**

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry is expected to witness better growth prospects in 2015 as a sense of optimism stems from the Government's measures towards revitalizing the industrial growth in the country. In addition, RBI's new measures may go a long way in helping the restructuring ofthe domestic banking industry.

A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks areimportant players in financial markets and offer services such as investment funds and loans. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-share holding entity known as the keiretsu. In France, bancassurance is prevalent, as most banks offer insurance services (and now real estate services) to their clients.

India's banking sector is constantly growing. Since the turn of the century, there has been a noticeable upsurge in transactions through ATMs, and also internet and mobile banking.

Following the passing of the Banking Laws (Amendment) Bill by the Indian Parliament in 2012, the landscape of the banking industry began to change. The bill allows the Reserve Bankof India (RBI) to make final guidelines on issuing new licenses, which could lead to a bigger number of banks in the country. Some banks have already received licences from the government, and the RBI's new norms will provide incentives to banks to spot bad loans and take requisite action to keep rogue borrowers in check.

Over the next decade, the banking sector is projected to create up to two million new jobs, driven by the efforts of the RBI and the Government of India to integrate financial services intorural areas. Also, the traditional way of operations will slowly give way to modern technology.

## COMPANY PROFILE

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995..

**OVERVIEW OF THE INDUSTRY**

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

As on 31st March, 2015 the authorized share capital of the Bank is Rs. 550 crore. The paid-up share capital of the Bank as on the said date is Rs 501,29,90,634/- (2506495317) equity shares of Rs. 2/- each). The HDFC Group holds 21.67 % of the Bank's equity and about 18.87 % of the equity is held by the ADS / GDR Depositories (in respect of the bank's American Depository Shares (ADS) and Global Depository Receipts (GDR) Issues). 32.57 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has 4,41,457 shareholders. The shares are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Bank's American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange under ISIN No US40415F2002.

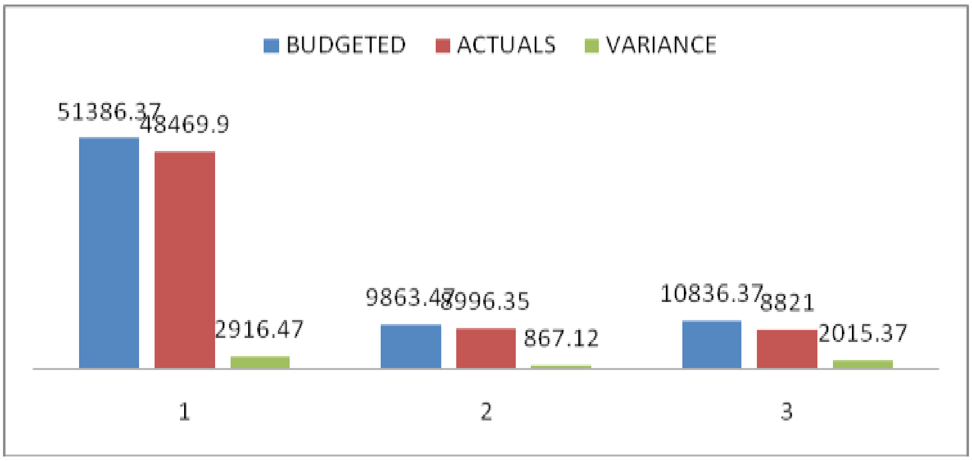
**DATA ANALYSIS AND INTERPRETATION**

**Tab 4.1 CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2023-2024**

**(Cr……)**

| S.No | DESCRIPTION | BUDGETED | ACTUALS | VARIANCE |
|---|---|---|---|---|
| 1. | Interested Earned | 51386.37 | 48469.90 | 2916.47 |
| 2. | Other Income | 9863.47 | 8996.35 | 867.12 |
| 3. | Balance in bank(Inventory) | 10836.37 | 8821.00 | 2015.37 |
| | **Total** | **72086.21** | **66287.25** | **5798.96** |

**Fig 5.1 GRAPHICAL REPRESENTATION OF REVENUE RECEIPTS BUDGET FORTHE YEAR 2023- 2024**




**INTERPRETATION**

In this year it can be seen that every item actual are below the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. This can be ignored, because in total budget estimates are more than the actual. In revenue receipts, the actual are below the budgeted. Except in increase in inventory value is negative. The budget estimates with a good variation percentage.

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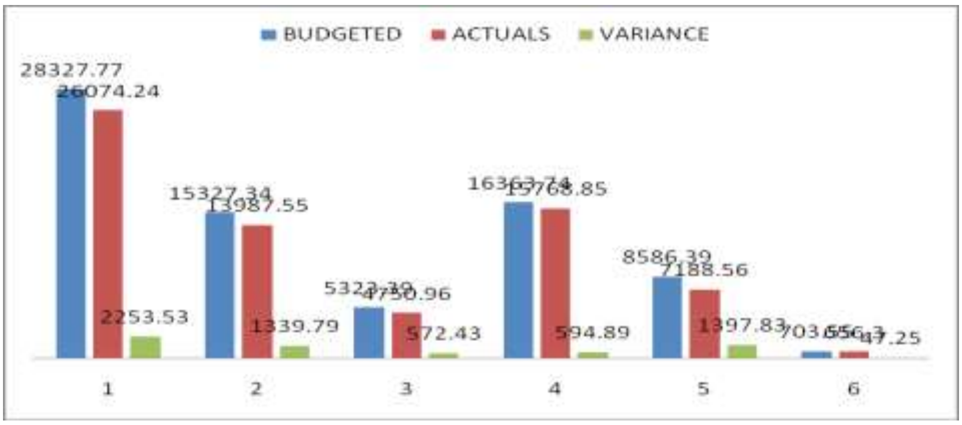
**Tab 4.2 CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THEYEAR 2023- 2024**

**(Cr……)**

| S. No. | DESCRIPTION | BUDGETED | ACTUALS | VARIANCE |
|---|---|---|---|---|
| 1. | Interested Expanded | 28327.77 | 26074.24 | 2253.53 |
| 2. | Operating Expenses | 15327.34 | 13987.55 | 1339.79 |
| 3. | Employee Remuneration & Benefits | 5323.39 | 4750.96 | 527.43 |
| 4. | Administrative &Operation Expenses | 16363. 74 | 15768. 85 | 594.8 9 |
| 5. | Provisions & Contingencies | 8586.3 9 | 7188.56 | 1397.8 3 |
| 6. | Depreciation | 703.55 | 656.30 | 47.25 |
| | Total | **746332.18** | **68426.46** | **6205.72** |

**Fig 5.2 GRAPHICAL REPRESENTATION OF REVENUE EXPENDITURE BUDGETFOR THE YEAR 2023- 2024**



**INTERPRETATION**

In this year it can be seen that every item actuals are bellow the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. Which can be ignored, because in total budget estimates are more then the actual

**FINDINGS**

- The budget and budgetary control of **HDFC**. Was found to be very effective when considered all categories of items.
- In spite of having techniques many techniques of budget system, the company is not following any of the system to control budget.
- In the 2019-2024 the total budgets value was high. Where was in the next two years ithas come down drastically.
- In all the five years budget expenditure was of high consumption a value.
- Material consumed which is one of the inputs for the production.
- It is also found that the reasons for maintaining huge stock of Banking expenses in 2019- 2020 is due to high production of manufacturing expenses as well as the sales is also highin the year of 2019-2024 compared to other year.

**SUGGESSIONS**

- It is recommended to the company that every item to be considered when categorizing the items into budgets.
- As company is not using any budget techniques we can suggest the company to follow budget techniques for better and effective budget and budgetary control.
- Pre audit of all expenditure proposals before issue of order and to check whether the expenditure is legitimate, approved by appropriate authority and availability of funds for the above items.
- The budget estimations should be made that they will reach with the actual for every yearwith very less variation.
- In HDFC revenue expenditure and revenue receipts are not interdependent on each other.
- The revenue expenditure will be spent based on the production target irrespective of therevenue receipts.
- In this proves the effective financial performance of budget department in the organization

**CONCLUSION**

Since, all the production units in HDFC. Will run perpetually throughout the year, therewill be minimum variations in the revenue expenditure budget estimates and actual. As the expenditure will be incurred more or less to the estimations made by the organization.

In concern with overhead expenses, it will also be with minimum variations between budget estimates and actual. Since the production process will be consistent. Any change in the items of expenditure, will lead to the review in the budget estimates by the accounts and finance department. It is also suggested to the company that budget techniques will be very useful to control and manage cost effectively.

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