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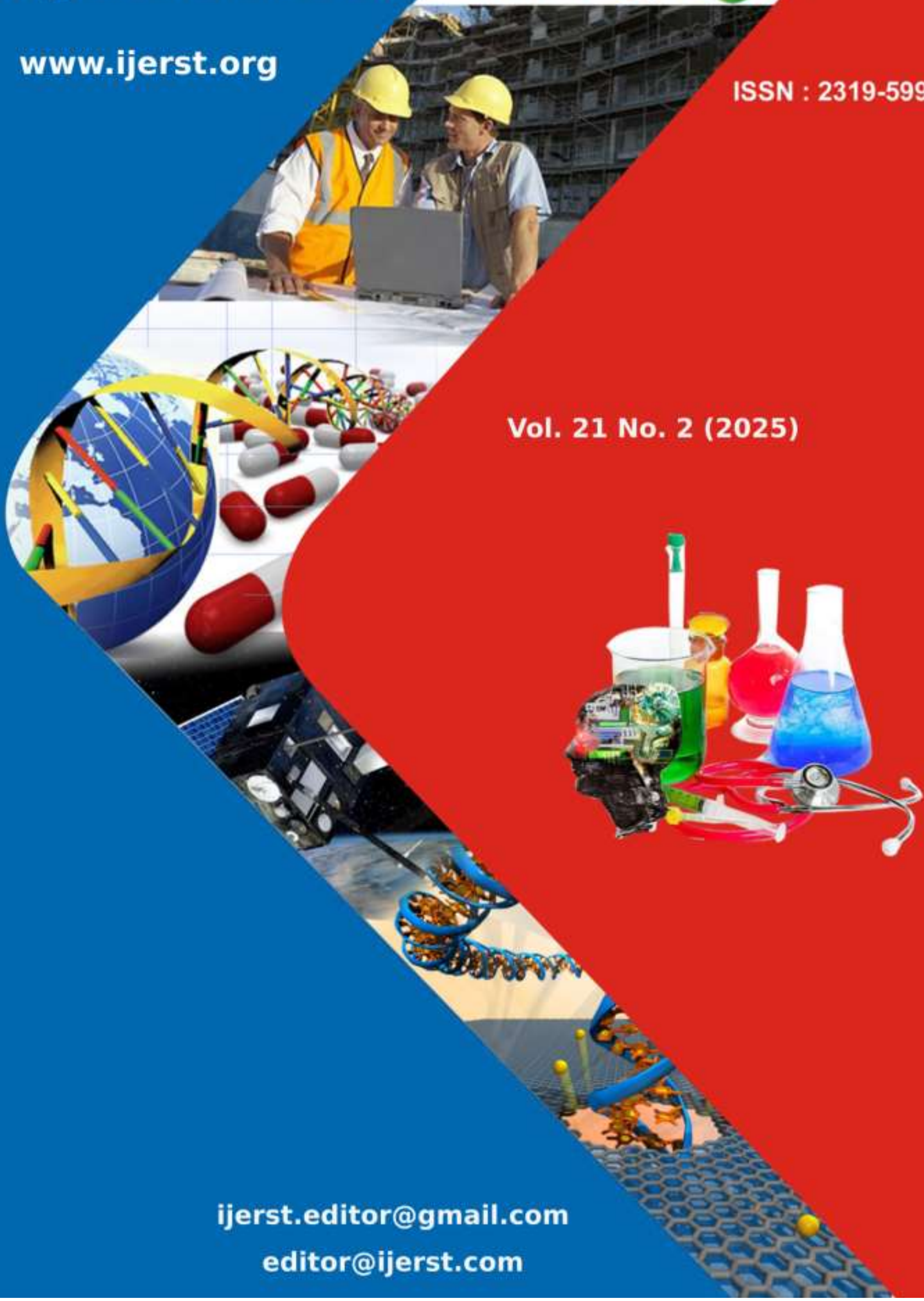

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Research Paper

THE FUNDAMENTAL OF RATIO ANALYSIS WITH REFERENCE TO HDFC BANK

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Abstract

A fundamental analysis is a systematic assessment of an economy, industry, or company's past and projected future performance. Fundamental analysis is applied to three components: the business, industry economics, and the share market. Fundamental analysis predicts the future share price and dividends of an equity company based on the idea that certain basic factors, such as the overall health of the economy, the performance of the industry, and the firm in particular, affect price movements of equity stocks. The objective of an analysis is to ascertain the intrinsic value of an equity stock by examining its present and anticipated earnings.

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I.INTRODUCTION

A Summary of Fundamental Analysis:

The Significance of the Research Analysis entails breaking complex subjects and objects down into smaller components in order to better understand them. (Bhatt V. &., 2020) The formal concept of analysis is relatively recent, even if this approach was used to study mathematics and logic before Aristotle (384–322 BC). (Banker, 2020) The process of dissecting something into its component elements and figuring out what each one does and how it interacts with the others is called analysis. The process of analyzing blood in a lab to identify each of its constituent parts is one example.

Biased conduct and rash conclusions are common among corporate finance managers, securities regulators, and investors. Ramiah (2014). Risk-taking, involvement, optimism, and overconfidence are some of these behaviors (Iqbal s. & Butt, 2015).

It's Farsi (2014). We come to the conclusion that business decisions are significantly impacted by their overconfidence in their skills. Furthermore, Bao (2014) demonstrated that this type of behavior impedes skill development. Iqbal s. & Butt (2015) discovered that these behavioral heuristics, together with self-serving traits including overconfidence, optimism, devotion, loss avoidance, and risk-taking, had a major effect on working capital management in Pakistan. Additionally, (Chaffi, 2014) concluded that the success of the stock market is directly related to this kind of conduct. Nonetheless, there are two categories of this kind of stock market connection: basic-oriented and technology-oriented. The analysis for this is referred to as both technical and fundamental analysis. Financial experts are therefore human people with unique psychological, emotional, and cognitive traits, beginning with the prospect theory of Denial Kahenamen and Mark Tversky. Therefore, actions that are directly tied to the fundamentals of the stock market have the greatest influence on financial markets, including the stock market. Therefore, the relationship between investor behavior or cognition and behavioral bias is examined using basic analysis.

Quantitative and qualitative fundamental analysis:

The term "fundamentals" can refer to any aspect of a business's financial situation, making it difficult to define. Naturally, this goes beyond straightforward indicators like sales and profitability and encompasses everything from a company's market share to managerial caliber.

The numerous fundamental elements may be divided into two groups: qualitative and quantitative. These phrases' financial meanings aren't all that different from the conventional idea. The following is how a dictionary defines a word:

Data that is quantitative "Relates to information that can be expressed in numbers and quantities." The definition of qualitative is "Refers to a property or criterion, not a quantity."

In this case, a quantitative basis is used. They are a quantifiable part of the business. Financial statements are therefore the most complete source of quantitative data. Accurate measurements of assets, sales, income, etc., are possible. The qualitative foundation lacks sufficient specificity. Senior executives of the corporation place a high value on quality, patents, brand recognition, and exclusive technologies.

In general, both qualitative and quantitative analysis are subpar. Many experts take them all into account at once.

Definition:

Fundamental analysis is a detailed investigation of the underlying factors affecting industry, business, and economic interests. When a stock's value deviates from the current market price, opportunities are identified by measuring economic, financial, and other qualitative and quantitative factors. Its objective is to measure true intrinsic value. Fundamental analysis only includes financial statements, management, competition, business concepts, and any other "fundamentals" that might affect the value of a share, such organizational and macroeconomic elements. There will be an evaluation. Fundamental analysis It is based on the notion that these factors have a slightly delayed impact on stock prices. As a result, rather of instantly reflecting its worth, the stock price would change over time. There are three phases in this analysis:

Economy: An analysis of the conditions and general status of the national economy. To analyze it, economic indicators are employed.

Industry: Use industry competition research and industry lifecycle analysis to identify possibilities for different industry categories.

Company: When choosing whether to buy, sell, or hold onto a company's shares, consider both its financial and non-financial characteristics. Sales, profitability, EPS, management, corporate image, and product quality are thus all analyzed.

Basic or inherent value is important while investing. A stock's intrinsic value is its inherent worth as opposed to its market value. Fundamental analysis may be used to determine a stock's intrinsic value. Investors were able to better understand the different equities as a consequence. A stock's true value, which may be ascertained through fundamental research, is known as its intrinsic or fundamental value. This value is crucial for investors to make informed choices when purchasing equities. Discounts are another element of a basic stock analysis.

Future expected projects are discounted against the time value of money to determine the stock's true value. Without a clear and rational analysis, making decisions while investing in different stocks becomes challenging. A more precise fundamental analysis might be used.

To comprehend the basis:

Basic analysis is the presentation of a company's portfolio. The primary objective of every firm that develops a corporate profile is essential, and the best methods to go forward are to improve the company's basis, acquire new assets, and reduce debt.

To guarantee a secure investment: The majority of the information on what genuinely helps with investing may be found with a simple analysis. An investment is secure when it is clear that the company is increasing its earnings and preserving its portfolio. Capital conservation is one of the main reasons people invest. Certain investments can prevent the slow loss of hard-earned money. If savings are left on specific devices or systems, they may be lost forever.

Comparing them, however, is the most effective way to determine a company's market value. One of the greatest ways to evaluate two companies while looking at their market demand is to compare their financial records using ratios. Numerous financial statement numbers are examined using ratio analysis. B. Calculate the relationship between each number and net income and total expenses.

To produce a steady stream of revenue: The creation of a dependable secondary (or primary) cash source is an additional benefit of investment. Examples of such investments are equities of companies that consistently distribute dividends to investors and interest-bearing time deposits. Income-producing investments help you pay for daily expenses after retirement.

Research Problem

Ratio analysis is a fundamental tool in financial statement analysis, helping stakeholders evaluate a company's performance, liquidity, solvency, profitability, and efficiency. Despite its wide usage, investors and analysts often face challenges in interpreting ratios due to variations in accounting policies, changes in economic conditions, and differences in financial reporting standards. In the case of Indian banking institutions, such as HDFC Bank, ratio analysis becomes even more critical because banks operate in a highly regulated environment where risk management, capital adequacy, and non-performing assets (NPAs) significantly influence financial stability.

Although HDFC Bank is considered one of the strongest private sector banks in India, there is a need to critically analyze its financial performance through ratio analysis to understand how effectively it manages profitability, liquidity, and solvency compared to industry benchmarks. The problem lies in determining whether traditional ratio analysis provides sufficient insights for investors and policymakers in the rapidly changing banking sector, or if supplementary methods are required for more accurate financial evaluation.

RESEARCH METHODOLOGY

Research Objectives:

Primary objectives:

This study's main goal is to evaluate the investing patterns of individual investors for fundamental research.

Secondary objectives:

Identify the elements of the basic factors.

Examine investor behavior patterns.

Actions taken by investors to understand and evaluate fundamental analysis.

To Use various fundamental analysis information available to investors to determine pay call recognition.

II.LITERATURE REVIEW

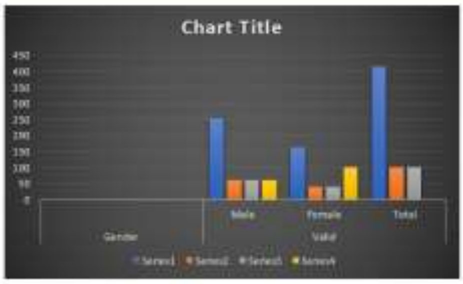
An Examination of Individual Investors' Behavior in the Indian Stock Market IJMSS, Volume 02, Issue 02, Rakesh H.M. (2024), ISSN: 2321-1784 Examining how individual stock market investors act and the variables that affect their choices, such as their degree of expertise and experience, is the aim of the study. The study was carried by using authentic data gathered from 150 stock market investors in Mysore. According to the study, just 10% of participants said they planned to keep making stock market investments for more than five years. In other words, the study found that customers do not choose to own shares for an extended length of time, even when the stock market generates higher earnings. Although he asserts that "investors are fully aware about the stock market and they feel that market movements also affect the investment pattern of investors in the stock market," . The primary subjects of discussion are the variables affecting savings and the information sources used while making decisions. An individual's investing approach is also influenced by their income level. The income level of an investor determines the kind of investments they choose to make.

An Examination of the Elements Affecting Investors' Stock Market Decision-Making Behavior Volume 4, Issue 9 of the Indian Journal of Applied Research Reena Rai (20), 2249-555X, ISSN The goal of this study is to examine the factors influencing investors' stock market decision-making behavior based on relevant research. A number of demographic characteristics are mentioned as contributory factors, including age, gender, and educational attainment. Men are seen to be more confident than women. Age has an impact on a person's attitude and risk-taking tendencies. Sometimes it also explains conservatism and prudence. Business-level investment decisions are influenced by a wide range of factors, including average price, capital structure, media and political exposure, trend analysis, historical stock performance, projected dividends, and earnings per share. Ultimately, it comes to the conclusion that while some of the numerous factors influencing investor behavior have a significant influence, others just have a little one. Age, gender, confidence, risk aversion, cognitive bias, and business performance are typical characteristics.

Bing Zhu's (2023) study, The Effects Of Macroeconomic Factors On Stock Return Of Energy Sector In Shanghai Stock Market, International Journal Of Scientific And Research Publications (Vol. 2, Issue-11), ISSN 2250-3153, focuses on how macroeconomic factors affect the stock return of the energy sector in the Shanghai stock market. Based on the expected return of an asset, arbitrage pricing theory (APT) is a broad asset pricing theory in finance. According to the research, a number of variables affect the energy industry's profitability, such as exports, foreign reserves, currency rates, and the unemployment rate.

III.DATA ANALYSIS AND INTERPRETATION

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	254	61.1	61.1	61.1
	Female	162	38.9	38.9	100
	Total	416	100	100	



INTERPRETATION:

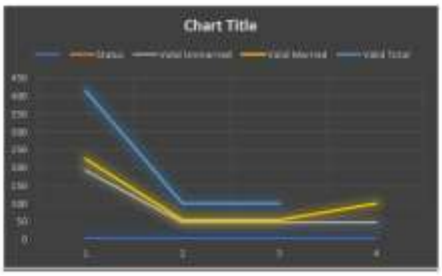
Here, the pie chart shows that the majority of men are 61.1% and 38.9% remain female.

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25	129	31	31	31
	25-35	172	41.3	41.3	72.4
	35-45	72	17.3	17.3	89.7
	above 45	43	10.3	10.3	100
	Total	416	100	100	

INTERPRETATIONAL

Respondents' ages are displayed above the graph. This means that 31.0% of respondents are under the age of 25. And the majorities indicate 25-35 years old or older, the criteria are 41.3%, 35-45 years old 17.3%, marginal respondents 10.3%, 45 years old or older.

		Frequency	Percent	Valid Percent	Cumulative Percent
Status					
Valid	Unmarried	192	46.2	46.2	46.2
	Married	224	53.8	53.8	100
	Total	416	100	100	

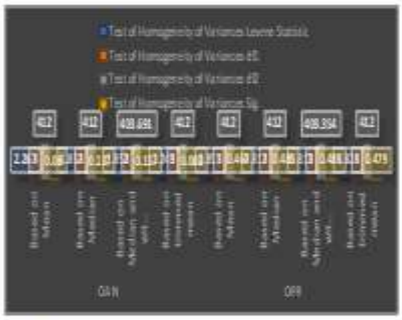


INTERPRETATION:

This represents the marriage status of the respondents, with 46.2% unmarried and 53.8% remaining unmarried

Test of Homogeneity of Variances

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
OAN	Based on Mean	2.267	3	412	0.08
	Based on Median	1.852	3	412	0.137
	Based on Median and with adjusted df	1.852	3	403.691	0.137
	Based on trimmed mean	2.249	3	412	0.082
OPR	Based on Mean	0.851	3	412	0.467
	Based on Median	0.817	3	412	0.485
	Based on Median and with adjusted df	0.817	3	403.354	0.485
	Based on trimmed mean	0.828	3	412	0.479



H0: There is no significance difference between the variant. H1: There is significant difference between the variant.

INTERPRETATION:

Given that the mean and median significant values in the test of homogeneity of variants table are more than 0.05, we may conclude that the (H1) null hypothesis of

the market study. Additionally, choice of any specific indicates that we cannot reject the (H1) null hypothesis of preference of the most in basic analysis since the mean and median are significant values greater than 0.05.

IV.FINDINGS

- The 416 respondents, the largest number of respondents was mainly 254 males (61.1%) and 162 females (38.9%).
- There are 129 respondents under the age of 25, 31%. The majority of respondents are between the ages of 25 and 35, with 172 respondents which is 41.3%. Respondents between the ages of 35 and 45 are 72 years old, or

17.3 percent of the respondents. And the lowest respondents are over 45%, which is only 10.3% of the respondents.

- The status of unmarried respondents is 192. Respondents cover 46.2% and married respondent's cover 224, or 53.8%.
- The occupation of respondents is 97, and the number of students is 23.3%. The majority of respondents are 45.4%, which means that 189 respondents are doing job. There are 83 respondents doing business, which is 20 percent. And the last low of the polled ones is 47, which is 11.3 percent is another.
- There are 109 speculative (short-term) investors, which is 26.2% of the respondents. This type of investor investing in capital has 126 respondents, which is 30.8 percent. And both types of investors have 179 respondents, which is 43 percent.
- Undergraduate respondents have the lowest education level, 43 respondents, or 10.3 percent. Most respondents are graduate, which is 49.5 percent. There are 115 respondents are post graduated which 27.6% is and last other respondents are 52 which is 12.5%.
- Respondents trade daily. This is 90 respondents, 21.6%. 96 respondents are twice a week, or 23.1 percent. The most trader respondents trade weekly, with 120 respondents which is 28.8%. And with a basic monthly transaction, there are 210 respondents, or
- 26.4 percent.
- The participant in stock market less than 1 year of respondents is 144 which is 34.6 percent. There are 13 years participated respondents are 171 which is highest criteria by 41.1 percent. 35 years participated in stock market respondents are 19.5 percent which are 81 respondents. And the lowest respondents are 4.8 percent which are 20 respondents of 510 years of participated.

V.CONCLUSION

No investment choice should be made only on the basis of fundamental analysis before thoroughly reviewing and evaluating all pertinent facts. One benefit is that the data it looks at is true rather than conjectural. Even when it focuses on particular facts, basic analysis does not tend to overlook the reality that people are not always logical. It is true that market pricing can diverge from fundamentals. Price movements can be influenced by a variety of causes, such as insider trading, rumors, and speculation. According to the aforementioned data, our economy is expanding following the recession, making this a favorable moment for investors. Industry figures show that investors can still invest in banks, but they should exercise caution. Considering all of the project's findings, it would be wise for anyone to include IIFL in their investment portfolio.

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