



## Financial Performance of State Bank of India

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### ABSTRACT

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Economic development has become the most important object of developing nation one of the major hindrances in the way of infrastructure facilities. Among the infrastructure facilities, bank occupies a prominent place as it provides finance to move the wheels of development. These days it is difficult to imagine, how economic system could function efficiently on the extent as mobilisation of resources and investment and on the extent of economic discipline. Banking is the business activity of accepting and safeguarding money owned by other individuals and entitles and then lending out this money in order to earn a profit. The financial system deals about money market, capital market, foreign exchange market, and the various sources for raising funds. It also includes financial instruments. With changing world trade, there was been a tremendous change, both in the banking and financial system. Added to this, the technological change with the advent of computers has also brought in enormous change in the functioning of banking and financial system. New sources of credit have also emerged such as credit cards which even person in the rural areas can avails of.

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## Introduction

A bank is a financial institution and financial intermediaries that accept and channelize accepted deposits and either directly by loaning or indirectly through capital market. Banking links to gather customers that have capital difficulties and customer that have capital structure.

Banking in India in the modern sense originated in the last decades of the 18<sup>th</sup> century. The first bank were Hindustan (1770-1829) and the General bank of India. By 2013 banking in India was generally fairly mature in terms of supply product range and even its reach in rural India, still remains a challenge for the private sector banks, in terms of quality of assets and capital adequacy. In India banks are considered to have clean strong and transparent balance sheet relative to other banks in comparable economics in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the Government.

With the Government in Indian economy expected to be strong for quite some time especially in its services sector the demand for banking services, especially retail banking mortgages and investment services are expected to be strong one may also expect management and administration may also expect, takeover's and assets sale.

Indian banking sector is taking in recent years. Under pressure or time and various emerging requirements of economic development. The banking sectors as well as known consists of big nation bank, various policies and programme are being announced, from time to time, at the official levels, resulting in creation of new financing agencies. It is recognized inadequate to mobilize the resources and saving of the community and to make available fund to the development and growth in response to the demand of various sector and areas.

Today bank have become a part and parcel of our life. There was a time when the dwellers of city alone could enjoy their services. Now banks offer access to even a common man and their activities extend to area hitherto untouched. A part from their traditional business oriented functions, they have now come out to fulfil national responsibilities. Banks cater to the needs of agriculturists, industrialists, traders and to all the other section of the society. Thus, they accelerate the economic growth of a country and steer the wheels of the economy towards its goal of "self-reliance in all fields" it naturally arouses our interest in knowing more about the 'bank' and the various men and activities connected with it.

In the modern age, banks are the important part of man's economic life. As we know that Finance is the lifeblood of organization, banks help in providing funds to the economy. In Modern times bank occupy pivotal position in the development of business and industry. Finance is the lifeblood and controlling nerve centre of business and banks arrange right time. Today bank is such an important industry that we cannot imagine our day-to-day life without bank. It has become part and parcel of our life. Modern banks are acting as friend, philosopher and guide for the business industry. Numerous, varied and ever increasing functions and services to the business and industry.

Banks are essential for the fast economic development of the nation. Bank is a financial institution which deals with other people's money i.e., money given by depositors. Banks provide number of services to its customers as well as to economic activities. There are different kinds of banks in an economy i.e., private bank, government bank, etc.

### **Research Aims**

The purpose of this analysis of financial performance of STATE BANK OF INDIA. To examine the changes that has occurred in it over the period of time from 2016-2017 to 2020-2021 and judge the financial soundness. The changes can be various types of ratios. It will be useful for the further development of SBI bank.

### **Statement of the Problem**

A problem statement is a concern with the description of an issue to be addressed or a condition to be notified/ improved upon it. It identifies the gap between the current problem and desired state of a process that happens in SBI bank. The analysis of the financial statements i.e., balance sheet is very difficult to analyse the complete picture of financial statements. Therefore, here is a need of applying the modern tools and technique to assess the exact financial statement position of the SBI bank.

### **Objectives of the study**

- To analyse the financial changes over a period 5 years.
- To compare present performance with past performance of SBI Bank.
- To study about the financial strengths and weaknesses of SBI Bank.
- To evaluate the financial statement analysis of SBI Bank with the help of ratios.
- To offer findings and valuable suggestions to SBI bank.

### **Significance of the study**

An attempt has been made in the present study to focus on the overall performance through the analysis of financial statement analysis of SBI bank. The present study also indicates the present status of SBI bank. As well as various factor for overall development in the present scenario.

### **Scope of the study**

This study has been undertaken to assess the financial analysis of SBI bank. The study focus on the attention only on four keys major areas of finance namely, short-term solvency, long-term solvency, activity and profitability positions only were employed to study the financial analysis.

### **Period of the study**

This study is purely based on Financial analysis on STATE BANK OF INDIA covers a period of five years from 2018-2019 to 2022-2023.

### **Data collection**

This study is mainly based on secondary data. The data required for the study are collected from the Annual reports, Journals, Newspaper, Magazines, Government Publications, Articles, Books and Website.

### **Tools used in research**

- ❖ Common Size Balance Sheet Analysis
- ❖ Comparative Balance Sheet Analysis
- ❖ Trend Analysis
- ❖ Ratio Analysis
- ❖ Standard Deviation
- ❖ Co-efficient of Variation

### **Limitations of the study**

- Due to time constraint, the study is confined to five years.
- The study is limited to important fields of activities of the company.
- It is only based on the monetary information and non-monetary terms are ignored.

- The approach may differ on calculation of certain items and analysis and interpretation of the ratios
- Mainly this study is based on annual report of the STATE BANK OF INDIA.

### Review of Literature

**John Manning (2018)** in his article says that the ongoing normalisation of mobile banking through further security strengthening and improved customer convenience and the greater adoption of biometrics for identity-authentication purposes including face, voice, finger print and behavioural components. As such, banking in 2018 is likely to be characterised by innovation and convenience, which ultimately puts the customer front and centre. As technologies continue to mature, therefore, this year looks set to be an exciting period for global banking.

**Amit Shankar, Charles Jebarajakirthy (2019)** in their study opined that providing high-quality e-banking services is considered a basic strategy for attracting and retaining customers with electronic-banking platforms. The purpose of this paper is to empirically investigate a comprehensive moderated mediated mechanism for enhancing customer loyalty toward e-banking platforms via e-banking service quality (EBSQ) practices. Reliability, website design, privacy and security and customer service and support are the dimensions of EBSQ.

### State Bank of India (SBI)

It is an Indian multinational public sector bank and financial services statutory body headquartered in Mumbai, Maharashtra. SBI is the 43rd largest bank in the world and ranked 221st in the Fortune Global 500 list of the world's biggest corporations of 2020, being the only Indian bank on the list. It is a public sector bank and the largest bank in India with a 23% market share by assets and a 25% share of the total loan and deposits market. It is also the fifth largest employer in India with nearly 250,000 employees.

The bank descends from the Bank of Calcutta, founded in 1806 via the Imperial Bank of India, making it the oldest commercial bank in the Indian Subcontinent. The Bank of Madras merged into the other two presidency banks in British India, the Bank of Calcutta and the Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. The Government of India took control of the Imperial Bank of India in 1955, with Reserve Bank of India (India's central bank) taking a 60% stake, renaming it State Bank of India.

SBI, the largest Indian Bank with 1/4th market share, serves over 45 crore customers through its vast network of over 22,000 branches, 62617 ATMs/ADWMs, 71,968 BC outlets, with an undeterred focus on innovation, and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability.

The Bank has successfully diversified businesses through its various subsidiaries i.e. SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, SBI Card, etc. It has spread its presence globally and operates across time zones through 229 offices in 31 foreign countries.

### **Analysis and Interpretation**

Analysis and interpretation of financial statements made an attempt to determine the significance and meaning of the financial statement data so that a forecast may be made of the prospects for future earnings, ability to pay interest, debt maturities, both current as well as long term, and profitability of sound dividend policy.

The main function of financial analysis is the pinpointing of the strength and weakness of business undertakings by regrouping and analysis of figures contained in financial statements, by making comparisons of various components and by examining their content. Interpretation of financial statements involve many processes like arrangement, analysis, establishing relationship between available facts and drawings conclusions on that basis.

### **Findings**

The principal outcomes of research project, what the project suggested, revealed or indicated. This usually refers to the totality of outcomes, rather than the conclusion or recommendations drawn from them. Therefore such a step relative significance and effect of each item with relation of period.

Some of the following are the result of “Financial Performance of State Bank of India”.

- The Common Size Balance Sheet reveals that the total assets and total liabilities are moving towards the decreasing percentage from 2018-2019 to 2022-2023 except balances with banks and money at call & short notice and deposits.
- Trend Analysis of Assets showed that the Total Assets are increasing from 2018-2019 (50,43,03,43,161) to 2022-2023(83,35,63,26,274). The highest trend value of Total Assets is 128% in the year 2019- 2020.



- Trend Analysis of Liabilities showed that the Total Liabilities are increasing from 2018-2019 (20,77,05,81,020) to 2022-2023 (31,20,67,06796) except 2020-2021 and 2021-2022. The highest trend value of Total Liabilities is 121% in the year 2019-2020.
- The Proprietary ratio was the highest 0.070 in the year 2018-2019 and it was lowest range as 0.056 in the year 2022-2023. The average of Proprietary ratio of the company over five year was 0.012.
- The Debt equity ratio was the highest 1.82 in the year 2020-2021 and it was lowest range as 1.36 in the year 2021-2022. The average of Debt equity ratio of the company over five year was 0.33.
- The Solvency ratio was the highest 0.029 in the year 2018-2019 and it was lowest range as 0.020 in the year 2022-2023. The average of Slovency ratio of the company over five year was 0.02
- The Reserve to equity share capital ratio was the highest 99.96 in the year 2022-2023 and it was lowest range as 99.58 in the year 2018-2019. The average of Reserve to equity share capital ratio of the company over five year was 99.67.
- The Total debt to assets ratio was the highest 11.7 in the year 2018-2019 and it was lowest range as 7.69 in the year 2021-2022. The average of Total debt to assets ratio of the company over five year was 10.07.
- The Current ratio was the highest 1.83 in the year 2022-2023 and it was lowest range as 1.66 in the year 2020-2021. The average of Current ratio of the company over five year was 1.72.
- The Net profit ratio was the highest 6.61 in the year 2022-2023 and it was lowest range as 0.31 in the year 2020-2021. The average of Net profit ratio of the company over five year was 0.77.
- The Return on total assets ratio was the highest 0.45 in the year 2022-2023 and it was lowest range as 0.02 in the year 2020-2021. The average of Return on total assets ratio of the company over five year was 0.06.
- The Total assets turnover ratio was the highest 0.078 in the year 2018-2019 and it was lowest range as 0.068 in the year 2022-2023. The average of Total assets turnover ratio of the company over five year was 0.02.
- The Advances to deposit ratio was the highest 76.83 in the year 2018-2019 and it was lowest range as 66.54 in the year 2022-2023. The average of Advances to deposit ratio of the company over five year was 14.47.



- The Investment to deposit ratio was the highest 39.20 in the year 2019-2020 and it was lowest range as 32.30 in the year 2021-2022. The average of Investment to deposit ratio of the company over five year was 7.16.
- The Operating expenses ratio was the highest 26.78 in the year 2022-2023 and it was lowest range as 22.03 in the year 2018-2019. The average of Operating expenses ratio of the company over five year was 4.85.

### SUGGESTIONS

Based on the inferences of analysis of the study, some suggestions are offered to the State Bank of India in order to remove the drawbacks and to get improvement in the financial performance of the bank in future.

- The bank other assets decreased slowly, the State Bank of India may take steps either to increase the assets or decreases the liabilities so as to maintain better financial soundness in the fund operations.
- Among the liabilities, borrowings, reserves and deposits should be increased.
- Steps to be taken to increase the fixed assets of the State Bank of India.
- The bank may increase its capital by issues of additional shares to keep the norms to meet its liabilities.
- The State Bank of India should maintain the total assets properly to face the emergency need of cash. The financial institution has to concentrate more on shareholders' fund instead of going for outsider's fund.
- The State Bank of India can concentrate on shareholders' funds, so that they can maintain good satisfactory level in debt equity ratio.
- It take necessary steps to recover the bad debts and also keen in increasing the assets and try to reduce the liabilities of the bank.

### CONCLUSION

Performance of any institution is important and must be better especially financial performance. Financial performance of State Bank of India is competitive today. Every bank has to compete with other banks through performance. The State Bank of India is a leading commercial bank and what its financial performance at present is highlighted as the conclusion of the study based on analysis.



During the period of study, the total income of the State Bank of India increased and the expenditure of the State Bank of India decreased; borrowings and other liabilities increased; advances and net block increased. The trend shows that the total assets increased less than the increased of total liabilities. Finally, the net profit of the State Bank of India steadily increased.

Ratios applied on various items of financial operations show better position. In detail the ratios relating to net profits, return on total assets, current ratio, advances over deposits slightly increased which is good during the five years period.

This piece of research work implies that the financial performance of State Bank of India is inferred from the financial statements that the bank is performing well from the profitability perspective.

To conclude, the overall financial performance of the State Bank of India at all level is highlighted as good and appreciable. It's sure that the State Bank of India in our country will have sustainable growth in the competitive banking scenario as per the study.

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