

# FINANCIAL PERFORMANCE ANALYSIS OF SBI AN EMPIRICAL STUDY

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## *Abstract*

SBI is the India's largest commercial bank in terms of assets, deposits and employees. SBI is the preferred banker for most of public sector corporations. It occupies a unique place in the Indian money market as it commands more than one third of India's bank resources. Public has enormous faith in State bank of India because of its dedicated services. This study aims at analyzing the Financial Ratio analysis of State Bank of India. The main objective for commercial bank is to maximize the value of profit. To do so, banks concentrate on their financial performance analysis and attempt to structure their portfolios in order to maximize their return. The most popular tool/technique for analyzing the Financial Statement of Bank is Ratio Analysis. Ratio analysis enables the management of banks to identify the causes of the changes in their advances, income, deposits, expenditure, profits and profitability over the period of time and thus helps in pinpointing the direction of action required for increasing the deposits, income, advances and reducing the expenditure and for altering the profitability prospects of the banks in future. Therefore the study was undertaken to analyze financial status of public sector bank especially to SBI (State Bank of India).

Keywords: Commercial Bank, SBI, Public Sector Corporations, Financial Status.

## 1. INTRODUCTION

Banks are life blood and the nervous system of the Indian economy. Banking plays an important role in the economic development of a country and forms the core of the money market in an advanced country. In India, the money market is characterized by the existence of both the organized and unorganized sectors. The organized sector includes Commercial banks, Co-operative banks and Regional Rural banks while the unorganized sector includes indigenous bankers and private money lenders. Among the banking institutions in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion's share in the total banking operations. Initially, they were established as corporate bodies with share-holdings by private individuals, but subsequently there has been a drift towards State ownership and control. Today 27 banks constitute the strong public sector in Indian commercial banking [1].

In Modern times banking is the kingpin of all business activity. It is an important instrument of mobilizing the community's resources through institutional framework. As a matter of fact, economic and industrial development of a country depends, is the main, upon how efficiently funds are managed by the banks. Hence, banking plays an important in the economic development of the country. Adequacy of capital and competency of management are the two pillars upon which the earnings of the banks depend. Sufficiency of capital instills depositor's confidence, which helps in mobilizing of deposits. Increase in deposits increases the lending business and therefore enhances the possibilities of income generation for the bank. Moreover, a bank with a sound capital base can take business opportunity more effectively and can concentrate well on dealing with problem arising from unexpected losses. The success and survival of

a bank depends to a great extent upon the dedication and competence of its managers. A smart bank manager can, not only help to mobilize resources and deploy them in profitable channels, the manager can also reduce the amount of idle balances and help to earn more profits.

The banks now focus on integrated balancesheet management where all the relevant factors which effect an appropriate balance sheet composition deserve consideration. Therefore various components of balance sheet are analyzed keeping in view the strengths of a bank. Analyzing Asset and Liability behaviour means managing both assets and liabilities simultaneously for the purpose of minimizing the adverse impact of interest rate movement, providing liquidity and enhancing the market value of equity. A careful designing and management of Asset and Liability behaviour is integral part of banking business particularly because over three forth of its resources originate from the depositors. However, the banks do not have free hand in the making of their behaviour on both sides (asset and liabilities). Therefore the study was undertaken to analyze financial status of public sector bank especially to SBI (State Bank of India).

## 2. OBJECTIVES OF THE STUDY

The major objectives of the study are as follows:

- To study the comprehensive of growth and structure of SBI.
- To examine Assets and Liabilities Portfolio of SBI.
- To analyze the financial performance of the SBI.
- To offer suitable suggestions to strengthen the position of SBI banks.

## 3. RESEARCH METHODOLOGY

The study is an exploratory and analytical in nature and compares the financial performance of SBI bank.

**Data Collection:** The study is based on secondary data that has been collected from annual reports of SBI Bank's website through internet. The present study covers seven years period ranging from 2011-12 to 2017.

**Statistical Analysis:** The present research work deals about *the financial* performance of SBI Bank with reference to Ratio analysis and Percentage analysis. Data are expressed as mean  $\pm$  standard deviation (SD). All data were analyzed with the SPSS for windows statistical package (version 20.0, SPSS Institute Inc., Cary, North Carolina. We have used Independent student "t" test to determine the relative importance (significant) of each variable in affecting the performance of bank among them and the significance level were fixed at  $p < 0.05$ .

## 4. FINDINGS AND INTERPRETATION

The comparative data for operative period 2011-2018 (SBI) with percentage change in credit deposit, interest expenses to total expenses, interest income to total income, and other income to total income. The data are summarized in Table1.

**Table.1. The data for operative period 2012-2017 (SBI) with percentage change in credit deposit, interest expenses to total expenses, interest income to total income, and other income to total income**

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Liabilities</b>					
Capital (₹ in crore)	684	747	747	776	797
Reserves & Surplus (₹ in crore)	98,200	1,17,536	1,27,692	1,43,498	187,489
Deposits (₹ in crore)	12,02,740	13,94,409	15,76,793	17,30,722	20,44,751
Borrowings (₹ in crore)	1,69,183	1,83,131	2,05,150	3,23,345	3,17,694
other's (₹ in crore)	95,404	96,927	1,37,698	1,59,276	1,55,235
Total (₹ in crore)	15,66,211	17,92,748	20,48,080	23,57,617	27,05,966
<b>Assets</b>					
Investments (₹ in crore)	3,50,878	3,98,800	4,81,759	5,75,652	7,65,990
Advances (₹ in crore)	10,45,617	12,09,829	13,00,026	14,63,700	15,71,078
other Assets (₹ in crore)	1,69,716	1,84,119	2,66,295	3,18,265	3,68,898
Total (₹ in crore)	15,66,211	17,92,748	20,48,080	23,57,617	27,05,966
Provisions for NPA (₹ in crore)	44,329	49,282	55,015	57,195	61,860
Provisions for NPA (₹ in crore)	11,368	14,224	17,908	26,984	32,247
operating Result (₹ in crore)	31,082	32,109	39,537	43,258	50,848
Net Profit Before Taxes (₹ in crore)	19,951	16,174	19,314	13,774	14,855
Net Profit (₹ in crore)	14,105	10,891	13,102	9,951	10,484
Return on Average Assets (%)	0.97	0.65	0.68	0.46	0.41
Return on equity (%)	15.94	10.49	11.17	7.74	7.25
Expenses to Income (%) (operating expenses to total Net Income)	48.51	52.67	49.04	49.13	47.75
Profit Per employee (₹ in 000)	645	485	602	470	511
earnings Per Share (₹)*	210.06	156.76	17.55	12.98	13.43
Dividend Per Share (₹)*	41.5	30	3.5	2.60	2.60
SBI Share (Price on NSE) (₹)*	2,072.75	1,917.70	267.05	194.25	293.40
Dividend Payout Ratio % (₹)	20.12	20.56	20.21	20.28	20.11
<b>Capital Adequacy Ratio (%)</b>					
Basel-II (%)	1,29,362 12.92	1,45,845 12.96	1,54,491 12.79	1,81,800 13.94	2,06,685 13.56
Tier I (%)	82,125 9.79	94,947 9.49	1,12,333 9.98	1,22,025 10.1	1,56,506 10.27
Tier II (%)	34,415 3.43	33,512 2.98	32,466 2.69	46,043 3.53	50,179 3.29
Basel-III (%)	N.A	1,40,151 12.44	1,46,519 12	1,75,903 13.12	2,04,731 13.11
Tier I (%)	N.A	1,09,547 9.72	1,17,157 9.6	1,33,035 9.92	1,61,644 10.35
Tier II (%)	N.A	30,604 2.72	29,362 2.4	42,868 3.20	43,087 2.76
<b>Net NPA to Net Advances (%)</b>	2.1	2.57	2.12	3.81	3.71
Number of Domestic Branches	14,816	15,869	16,333	16,784	17,170
Number of Foreign Branches /offices	186	190	191	198	195

Source: Annual Reports of SBI from 2012 to 2017

## 5. CONCLUSION

The banking sector is considered to be an important source of funding for many businesses. They play a really necessary role within the effort to achieve stable costs, high level of employment and sound economic growth. They create funds offered to satisfy the needs of persons, businesses and therefore the government. In doing this, they facilitate the flow of goods and services and therefore the activities of governments. In spite of similar social obligations; most of the private sector banks are registering both high profits and high growth rate with respect to deposits, advances and reserves as compared to the public sector banks.

During performance of Indian Banks, ownership pattern had a major impact on performance indicators and therefore the observed increase in competition throughout financial liberalization that has been related to lower costs and profitability of the Indian banks. The study revealed that Indian private sector banks play an important role in the development of Indian economy. The economic progresses totally have changed the banking sector. In context of deposits and expenditure SBI bank had healthier managing efficiency than SBI bank in the year 2007-08 to 2011-12. The SBI had performed well on the sources of growth rate and financial efficiency throughout the study period (2011-12 to 2015-16) and played a dynamic role in marketing of new type of deposits and advances schemes. People preferred SBI bank to require loans and advances as compare to other banks in our study also. However, the banks, by earning a minimum of a nominal profit, have to serve the economy through extension of advances and safeguard the interest of its investors by providing the expected come back on their investment in bank. The study targeted on the growth and performance analysis of SBI Banks for a period of ten years, i.e. 2011-2017, has shown that SBI is more financially sound than other banks. Globalization has given away to many foreign banks to line up their business unit in a developing country like India. Because of set up of private banks financial resources of the country are optimally used. Ratio Analysis is useful for any shareholder, investor, creditor, banker or the other party who is concerned with the financial performance of the company.

## 6. LIMITATION OF THE STUDY

The study suffers from certain limitations and a few of those are mentioned below in order that finding of the study can be understood in a very correct perspective. The constraints of the study are as follows:

- (a) This study is worries with one public sector bank that cannot be represent the whole banking sector and results of the study are restricted to one specific banks solely.
- (b) Hence, the results don't seem to be applicable to the entire banking sector.
- (c) This study is restricted to only seven-year time period (2011-17).
- (d) The study is predicated solely on secondary data that has been collected from published annual reports of banks and numerous relevant internet sources.
- (e) The information obtained through reports is subject to window dressing and may not show the particular position of the banks.

## 7. CONCLUSION

The present chapters deals the performance of SBI bank in India with reference to different parameter .It include the performance of SBI on the grounds of Total Assets, efficiency, profitability, Liquidity, leverage and assets quality ratios. Indeed the present chapter did not testify the significant difference between the two banks. Next chapter deals

with the performance of ICICI bank and the next to next chapter deals with the analysis and interpretation of the data comprises the performance of SBI and ICICI Bank by using statistical tools to test the hypotheses of the study.

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