A Study on Financial Performance of Bank Using Financial Ratios Towards SBI

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ABSTRACT

The banking system is made up of financial institutions like credit unions and banks that provide a variety of financial services to individuals, companies, and governmental entities. The main functions of these services are deposit taking, loan disbursement, transaction processing, and provision of various financial goods, including credit cards, loans, and savings accounts. Because it makes it easier for money to move around and supports economic activity, banking is important to the economy. Banking has an indirect or direct impact on every person's daily life as well as the trade of a nation. This economic sector handles cash, credit, and other financial transactions. The most significant financial institution for a country's economy or for extending credit to its customers is the commercial bank. Every business deal that takes place in India, including cash withdrawals, payments, investments, etc. are managed by a financial establishment.

Keywords : SBI, Financial services, performance, banking, deposits

INTRODUCTION

The modern economy depends heavily on the banking industry. It is among the crucial financial pillars of the financial sector, which is essential to an economy's operation. A nation's economic development greatly depends on its ability to meet its trade, industry, and agricultural financing needs with greater dedication and accountability. Central banks come in two varieties: scheduled and non-scheduled. Scheduled banks come in two varieties: commercial and cooperative. Commercial banks come in four varieties: private, public, foreign, and regional. A statutory body for public sector banking and financial services in India, SBI is a multinational corporation. It is a statutory government corporation with its main office located in Mumbai, Maharashtra. According to the Fortune Global 500 list of the largest companies in the world for 2019, SBI is ranked 236th. With a 23 percent market share in assistance and a one-fourth market share in loans and deposits, it is the biggest bank in India. The bank is the oldest commercial bank on the Indian subcontinent, deriving from the Bank of Calcutta, which was established in 1806 through the Imperial Bank of India. In order to create the Imperial Bank of India, which later became the SBI in 1955, the Bank of Madras amalgamated with the other two "presidency banks" in British India, the Bank of Calcutta and the Bank of Bombay. In 1955, the Indian government acquired a 60% stake in remain from the Reserve Bank of India. SBI has grown to become one of the largest banking institution in the world, with over 24000 branches and 66000 ATM's across Indian and overseas. The bank a wide of financial services including retail banking, SBI has also expanded its presence growth globally, with offices in 36 countries. and a subsidiary. SBI international services, the bank has been recognized for its commitment to excellence, innovation, and customer satisfaction earning numerous awards and accolades. SBI continuous to play a vital role in the country's economic development and growth State Bank of India is reginal banking and has 20% market share in deposits and loans among Indian commercial banks.

STATEMENT OF THE PROBLEM

Conducting a comprehensive study on the financial performance of the SBI Bank using the financial ratios like liquidity, profitability, solvency ratios represent a critical and multi-layered effort, essential for a deep understanding of the bank's role in the Indian financial landscape. The problem of this study is multilayered and loaded with implications for financial stability, economic growth, and regulatory oversight. What are the key drivers behind SBI Banks financial performance in recent years, spanning a critical ten -year period? How have factors such as capital adequacy, asset quality, management quality, earnings, and liquidity influenced the bank's profitability, liquidity, and solvency? What trends, if any, have emerged during this time duration, and what external and internal forces have shaped these trends? What are the implications of SBI Bank financial health on the broader Indian financial system, and how does it impact the confidence of depositors, investors, and policymakers? How can the insights gained from this study be translated into actionable recommendations to enhance SBI Bank role as a stable and robust financial institution in India? As the study into these pressing questions, this research aims to provide a comprehensive analysis of SBI Bank financial performance, utilizing the financial ratios as a framework for evaluation, over the past ten years, with the ultimate goal of shedding light on the details of its operations, strengths, and potential areas for improvement. Through this study seeks to contribute to the broader discourse on financial stability, regulatory oversight, and the resilient functioning of banking institutions in the Indian context, ultimately advancing the interests of the Indian economy and its stakeholders.

REVIEW OF LITERATURE

Medhat Tarawneh (2024) financial performance is a dependent variable and measured by Return on Asset (ROA) and the intent size. The independent variables ate the size of banks as measured by total asset of banks. Assets management measured by asset utilization ratio (operating income dividend by total assets) operational efficiency measured by the operating efficiency ratios (total operating expenses dividend by net income). Ms. D Maheshwari, Shree B (2023) conduct a study on financial performance of State Bank of India. This research supports SBI's efforts to improve its performance and standing in the market and assists investors in making well- informed decisions regarding bank stocks and bonds. Priyadarshan, K According to and Sarvamangala, R (2022) bank performance serves as a forecast indicator for any given financial economy. India has seen success with banks in both the public and private sectors. In order to compare the performance of State Bank of India (SBI), a public sector bank, this research paper uses secondary data from the preceding two years.

SCOPE OF THE STUDY

The main scope of the study is to collect the financial data published in the annual report of State Bank of India for the past ten years from 2014-2015 to 2023-2024. This study will facilitate resources for academic & general public reference about the overall efficiency of SBI Bank and it will also help to understand the performance of financial analysis of the SBI Bank. This also helps for comparison study across different periods which enables the investors to make decisions and projections for the future.

OBJECTIVES

1. To analyse the Liquidity, Profitability position of SBI Bank
2. To know about the Solvency level of SBI Bank

METHODOLOGY

This research is descriptive and quantitative in nature as it is studying the financial status of the selected bank. The yearly financial data of SBI Bank from 2014-2015 to 2023- 2024 were collected from the official website of the Bank.

LIMITATIONS OF STUDY

1. The present study is based on secondary data published by annual report of the company
2. The study is limited only to ten years financial data.

RESULT AND DISCUSSION

CURRENT RATIO

Table 1: showing current ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Current Assets	Current Liabilities	Ratio
2014-2015	17,95,053	17,81,943	1.00
2015-2016	19,40,797	19,54,822	0.99
2016-2017	23,37,067	23,62,444	0.98
2017-2018	29,95,866	30,68,485	0.97
2018-2019	31,52,897	33,14,403	0.95
2019-2020	33,73,244	35,56,277	0.94
2020-2021	38,01,203	40,98,575	0.92
2021-2022	42,15,411	44,77,577	0.94
2022-2023	47,69,635	49,16,912	0.97
2023-2024	58,94,820	56,06,146	1.05

INTERPRETATION

The current ratio indicates whether current assets are sufficient to cover current liabilities by comparing current assets and current liabilities. The 4.1 table indicates that the higher current ratio of SBI is 1.05 in 2023-2024 due to an increase in cash and bank balance of current assets, while the lower current ratio of 0.92 occurs in 2020-2021 as a result of a decrease in cash balance.

LIQUIDITY RATIO

Table 2: showing Liquidity ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Cash & Cash equalities + Bank balance	Current Liabilities	Ratio
2014-2015	17,48,612	17,81,943	0.98
2015-2016	16,74,676	19,54,822	0.85
2016-2017	17,19,716	23,62,444	0.72
2017-2018	19,18,985	30,68,485	0.62
2018-2019	22,24,900	33,14,403	0.67
2019-2020	25,43,152	35,56,277	0.71
2020-2021	34,77,070	40,98,575	0.84
2021-2022	39,45,523	44,77,577	0.88
2022-2023	30,78,995	49,16,912	0.62
2023-2024	32,65,722	56,06,146	0.58

INTERPRETATION

The liquidity ratio indicates if liquid assets are readily sufficient to pay off current liabilities by comparing them to liquid assets. The table 4.2 illustrates it. 3 that the higher current ratio of SBI is 0.98 in the year 2014-2015 because there is an increase in cash and bank balance of current assets and lower liquid ratio that is 0.58 occurs during the year 2023-2024 due the reduction in the cash balance.

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DEBT EQUITY RATIO

Table 3: showing debt equity ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Long term Debt	Shareholder's Funds	Ratio
2014-2015	2,0,5,150	12,84,439	1.59
2015-2016	3,23,345	1,44,274	2.24
2016-2017	3,17,694	1,88,286	1.68
2017-2018	3,17,694	2,19,128	1.44
2018-2019	4,03,017	2,20,913	1.82
2019-2020	3,14,656	2,32,007	1.35
2020-2021	4,17,298	2,53,875	1.64
2021-2022	4,26,043	2,80,088	1.52
2022-2023	4,93, 135	3,27,608	1.50
2023-2024	5,97,561	3,77,246	1.58

INTERPRETATION

It also indicates that the business is less solvent. based on table 4.3.1 The company performed well in 2015–2016, as evidenced by the low debt of 2019-2020. However, in 2015-2016, the increase in borrowings caused the debt to rise to 2.24.

FIXED ASSET RATIO

Table 4: showing fixed asset ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Fixed Assets	Long term Funds	Ratio
2014-2015	9,32,916	33,35,883	0.27
2015-2016	1,03,892	36,83,748	0.28
2016-2017	4,29,189	50,59,796	0.08
2017-2018	3,99,922	58,12,705	0.06
2018-2019	3,91,975	62,39,308	0.06
2019-2020	4,00,781	58,39,606	0.06
2020-2021	4,01,667	70,93,576	0.05
2021-2022	3,77, 081	70,61,312	0.05
2022-2023	4,23,818	82,07,434	0.05
2023-2024	4,47,081	10,54,5486	0.04

INTERPRETATION

The Fixed Asset Ratio shows how well a business uses its long-term assets to produce income. A low ratio of 0.04 in the years 2023-2024 indicates effective asset utilization and more flexibility, while a high ratio of 0.28 in the years 2015-2016 indicates significant investment in fixed assets, potentially limiting liquidity and flexibility.

Table 5: showing solvency ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Total External Liabilities	Total Tangible Assets	Ratio
2014-2015	19,87,093	20,48,079	0.97
2015-2016	21,78,922	22,59,063	0.96
2016-2017	23,62,444	27,05,966	0.87
2017-2018	30,68,485	34,54,751	0.88
2018-2019	33,14,403	36,80,914	0.90
2019-2020	36,07,060	41,97,492	0.85
2020-2021	41,49,127	48,45,618	0.85
2021-2022	44,77,577	49,87,597	0.89
2022-2023	49,16,912	55,16,978	1.8
2023-2024	56,06,146	67,33,778	0.83

SOLVENCY RATIO – INTERPRETATION

The ratio is higher in 2022-2023 - 1.8. A low ratio of 0.83 during in 2023 - 2024 it's implies stability in finances and low risk, whereas a high ratio denotes excessive debt and possible financial distress.

Table 6: showing Return on Total Assets Ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Net Profit After Interest and Taxes	Total Tangible Assets	Ratio
2014-2015	13102	20,48,079	0.6%
2015-2016	9951	22,59,063	0.4%
2016-2017	10,484	27,05,966	0.3%
2017-2018	6547	34,54,751	0.1%
2018-2019	862	36,80,914	0.02%
2019-2020	14,488	41,97,492	0.3%
2020-2021	20,410	48,45,618	0.4%
2021-2022	31,676	49,87,597	0.6%
2022-2023	50,232	55,16,978	0.9%
2023-2024	61,077	67,33,778	0.9%

RETURN ON TOTAL ASSET RATIO - INTERPRETATION

The return on total assets (ROTA) ratio is a key financial metric used to assess a company's efficiency in utilizing its total assets to generate profits. By measuring the net income generated per dollar of assets, ROTA provides valuable insights into how effectively management is deploying resources. A higher ROTA indicates a more efficient use of assets, while a lower ratio may signal potential inefficiencies or challenges in asset management.

Table 7: showing proprietary ratio of SBI 2014 - 2015 to 2023 - 2024

Year	Shareholder's Funds	Total Tangible Assets	Ratio
2014-2015	12,84,439	20,48,079	0.62
2015-2016	1,44,274	22,59,063	0.63
2016-2017	1,88,286	27,05,966	0.69
2017-2018	2,19,128	34,54,751	0.63

2018-2019	2,20,913	36,80,914	0.60
2019-2020	2,32,007	41,97,492	0.55
2020-2021	2,53,875	48,45,618	0.52
2021-2022	2,80,088	49,87,597	0.56
2022-2023	3,27,608	55,16,978	0.59
2023-2024	3,77,246	67,33,778	0.56

PROPRIETARY RATIO - INTERPRETATION

A low proprietary ratio indicates the company's reliance on debt funding for operations, while a high proprietary ratio shows a company's strength and provides relief to creditors. The proprietary ratio experienced a decrease of 0.52 in 2020-2021 due to an increase in asset value, whereas it was higher in 2016-17 at 0.69 reflecting the banks' strong position.

FINDINGS

- A good current ratio is generally defined as falling between 1.5 and 3. The study indicates that the firm has a low current ratio, which means that it will be difficult for SBI Bank to meet its current liabilities because it will not have enough current assets.
- The liquid ratio demonstrates that, over the past ten years, the ratio has increased while remaining stagnant. This is because there are fewer liquid assets, which helps the company pay off its current debt.
- The bank made effective use of its assets in order to turn a profit.
- The bank has effectively generated revenue and expanded by using the funds provided by its shareholders.
- The bank's ability to generate revenue from its fixed assets is inefficient.
- The bank's higher EPS indicates greater value because investors will pay more for a company's stock because they think it is making more money than the share price.
- The bank's declining debt equity indicates that they are improving their financial health and reducing their risk.
- The bank has a stable capital structure and has grown its assets through the issuance of equity shares as opposed to taking out loans from other sources. It indicates the bank's capacity to use equity capital to support its operations.
- The bank effectively uses the equity owned by its shareholders.

SUGGESTIONS

➢ It would be possible to improve the company's liquidity position by decreasing its current liabilities. In order to pay its current liabilities, the company must raise its current ratio.

➢ The management may take action to keep their current standing over time. Additionally, the company can increase growth through effective investment planning.

➢ The two primary parts of any bank are deposits and credits. The majority of income and expenses are dependent on these factors. Thus, the bank should prioritize increasing deposits.

➢ The bank should try to boost other sources of income in order to lessen its reliance on interest income. As SBI's advances rise while interest income falls, appropriate action must be taken to collect the money.

➢ The bank's higher EPS indicates greater value because investors will pay more for a company's stock because they think it is making more money than the share price.

➢ Many performance metrics fall short of the suggested thresholds. By strengthening those areas of weakness, the bank can improve its operational and financial performance.

CONCLUSION

According to a range of ratios used to assess SBI Bank's financial performance. It is concluded that the bank performs well overall and has a strong financial position, making them appealing to a large number of investors. The bank has been successful in keeping up its strong liquidity and solvency position. One of the top public sector banks in India is the State Bank of India. Based on the results from the analysis it is found that majority of the years company's financial statements shows profit except in the year 2018-2019. To continued enhance its profitability the company should focus on key strategies this build on its efficiency strengths.

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