

## **A STUDY ON WORKING CAPITAL MANAGEMENT OF STATE BANK OF INDIA**

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### **ABSTRACT**

Working Capital is the life blood of every business concern. Working capital management involves the relationship between a firms short term assets and its short term liabilities and the goal of working capital management is to ensure that a company is able to continue its operations and has sufficient ability to satisfy both maturing short term debt and upcoming operational expenses. The primary objective of the study is to analyze the efficiency of State Bank of India in working capital management and to identify the liquidity and profitability position of the bank. For the purpose, the working capital statement and Ratio analysis are the tools employed and the secondary data acquired for a period of 2017-2018 to 2021-2022. The findings suggest that State Bank of India has shown good liquidity position over the years and maintained a balanced structure of borrowed and owned capital. **KEY WORDS:** State Bank of India, Working Capital Statement, Ratio Analysis, Liquidity, Profitability.

### **INTRODUCTION**

Working Capital is the life blood of every business concern. Business firm cannot make progress without adequate working capital. Inadequate working capital means shortage of inputs, whereas excess of it leads to extra cost. So, the quantum of working capital in every business firm should be neither more nor less than what is required. Efficient working capital management requires a proper balance between generation and utilization of these funds without which either shortage of funds will cause obstruction in the smoother functioning of the organization or excess funds will prevent the firm from conducting its business efficiently. So, the main objective of working capital management is to arrange the needed funds

on the right time from the right source and for the right period, so that a trade-off between liquidity and profitability may be achieved. Working capital management can improve a company's cash flow management and earnings quality through efficient use of its resources. This research aims to analyze and explore the working capital management of State Bank of India.

## STATEMENT OF THE PROBLEM

The working capital management of State Bank of India has been subject to considerable interest among researchers and practitioners due to its importance in ensuring the bank's financial health and profitability. However, despite the extensive research in this area, there is still a lack of comprehensive understanding of the factors that affect the bank's working capital management and the strategies adopted to determine the proper cash flow and inflow to manage the proper functioning of the bank.

## SCOPE OF THE STUDY

The study analysis is to determine the working capital management of State Bank of India. It would also assist to identify the means to raise funds for future expenditure and maintaining sound liquidity position in the bank. Further, it would help to determine unnecessary expenditure and control it effectively by disposing off the excess liquidity in the bank.

## OBJECTIVES OF THE STUDY

- To analyze the State Bank of India's efficiency in working capital management.
- To find out the liquidity position of the State Bank of India.

## REVIEW OF LITERATURE

- **Madhavi T et.al (2022)**, the article aimed to examine the effect of working capital management on a firm's profitability. The evaluation was done based on Ratio analysis, fund flow analysis and budgeting. A discriminatory panel regression and Pearson correlation are used to test the hypotheses. Based on findings, there is a significant inverse relationship between debt ratio on leverage and a firm's profitability. It was suggested to translate working capital into cash promptly, as a proxy in the log cash conversion cycle.
- **Neelakantam Nagesh (2022)**, the study to find out the factors most influencing the management of working Capital and to make a comparative analysis of working capital of Public banks of India. The study selected public sector banks based on the secondary data and tools used for ratio analysis.

The result suggested the Managements to consider both the facets of working capital as equally significant and realize that only proper balancing liquidity and profitability would ensure effective and efficient working capital management.

## METHODOLOGY OF THE STUDY

The study is about working capital management so it deals with secondary data. The data used in the study acquired for a period of last five years from 2017-18 to 2021-22. The required data is collected from published annual report of State Bank of India, company's websites, magazines, journals etc.

## TOOLS

- ✓ Schedule of changes in Working capital
- ✓ Ratio analysis
  - Liquidity Ratio
  - Working capital Ratio

## ANALYSIS AND INTERPRETATION

**TABLE-1**

**TABLE SHOWING SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR  
2020-2021 (Rs. In Crores)**

PARTICULARS	2020 RS.	2021 RS.	INCREASE	DECREASE
<b>CURRENT ASSETS</b>				
Cash And Bank Balances	166,968.46	213,498.62	46,530.16	-
Balances With Bank	87,346.80	134,208.42	46,861.62	-
Advances	2,374,311.18	2,500,598.99	126,287.81	-
Investments	1,228,284.28	1,595,100.27	366,815.99	-
Other current asset	300,503.45	362,045.47	61,542.02	-
<b>TOTAL CA</b>	<b>4,157,414.17</b>	<b>4,805,451.77</b>	<b>648,037.60</b>	
<b>CURRENT LIABILITIES</b>				

Deposits	3,274,160.63	3,715,331.24	-	441,170.61
Borrowings	332,900.67	433,796.21	-	100,895.54
Other liabilities & provisions	331,427.10	411,303.62	-	79,876.52
Minority Interest	7,943.82	9,625.92	-	1,682.1
<b>TOTAL CL</b>	<b>3,946,432.22</b>	<b>4,570,056.99</b>		<b>623,624.77</b>
Net Working Capital	210,981.95	235,394.78	648,037.60	623,624.77
Net Increasing Working Capital	24,412.83			24,412.83
<b>TOTAL</b>	<b>235,394.78</b>	<b>235,394.78</b>	<b>648,037.60</b>	<b>648,037.60</b>

(Source: Annual Reports of State Bank of India)

## INTERPRETATION

The table presents the working capital statement for the year 2020-2021. The working capital for the year 2020 is **Rs. 210,981.95** and for the year 2021 is **Rs. 235,394.78**. The bank has an increasing working capital of **Rs. 24,412.83**.

**TABLE-2**

**TABLE SHOWING SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2021-2022 (Rs. In Crores)**

<b>PARTICULARS</b>	<b>2021 RS.</b>	<b>2022 RS.</b>	<b>INCREASE</b>	<b>DECREASE</b>
<b>CURRENT ASSETS</b>				
Cash And Bank Balances	213,498.62	258,086.43	44,587.81	-
Balances With Bank	134,208.42	140,818.69	6,610.27	-
Advances	2,500,598.99	2,794,076.00	293,477.01	-
Investments	1,595,100.27	1,776,489.90	181,389.63	-
Other current assets	362,045.47	351,902.48	-	10,142.99
<b>TOTAL CA</b>	<b>4,805,451.77</b>	<b>5,321,373.50</b>	<b>526,064.72</b>	<b>10,142.99</b>
<b>CURRENT</b>				

<b>LIABILITIES</b>				
Deposits	3,715,331.24	4,087,410.60	-	372,079.36
Borrowings	433,796.21	449,159.78	-	15,363.57
Other liabilities & provisions	411,303.62	507,517.68	-	96,214.06
Minority Interest	9,625.92	11,207.42	-	1,581.5
<b>TOTAL CL</b>	<b>4,570,056.99</b>	<b>5,055,295.48</b>		<b>485,238.49</b>
Net Working Capital	235,394.78	266,078.02	526,064.72	495,381.48
Net Increasing Working Capital	30,683.24			30,683.24
<b>TOTAL</b>	<b>16,266,078.02</b>	<b>16,266,078.02</b>	<b>526,064.72</b>	<b>526,064.72</b>

(Source: Annual Reports of State Bank of India)

## INTERPRETATION

The table presents the working capital statement for the year 2021-2022. The working capital for the year 2021 is **Rs. 235,394.78** and for the year 2022 is **Rs. 266,078.02**. There is an increasing in working capital of **Rs. 30,683.24**.

**TABLE-3**

**TABLE SHOWING CURRENT RATIO OF STATE BANK OF INDIA (Rs. In Crores)**

<b>YEAR</b>	<b>CURRENT ASSETS</b>	<b>CURRENT LIABILITIES</b>	<b>CURRENT RATIO</b>
2017-2018	3,575,207.89	3,386,111.06	1.055
2018-2019	3,847,764.01	3,653,971.40	1.053
2019-2020	4,157,414.17	3,946,432.22	1.053
2020-2021	4,805,451.77	4,570,056.99	1.051
2021-2022	5,321,373.50	5,055,295.48	1.052

(Source: Annual Reports of State Bank of India)

## INTERPRETATION

The current ratio shall be 2:1. The highest ratio was 1.055 in the year 2017-2018 and falls continuously. The lowest current ratio was in the year 2020-2021 with the ratio of 1.051.

**TABLE-4**

**TABLE SHOWING QUICK RATIO OF STATE BANK OF INDIA (Rs. In Crores)**

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2017-2018	195,289.11	3,386,111.06	0.057
2018-2019	225,512.26	3,653,971.40	0.061
2019-2020	254,315.26	3,946,432.22	0.064
2020-2021	347,707.04	4,570,056.99	0.076
2021-2022	398,905.12	5,055,295.48	0.078

(Source: Annual Reports of State Bank of India)

## INTERPRETATION

The standard form of quick ratio is 1:1. The highest quick ratio was in the year 2021-2022 with the ratio of 0.078. The lowest quick ratio was in the year 2017-2018 with the ratio of 0.057.

**TABLE-5**

**TABLE SHOWING WORKING CAPITAL RATIO OF STATE BANK OF INDIA**

(Rs. In Crores)

YEAR	TOTAL ASSETS	TOTAL LIABILITIES	NET WORKING CAPITAL	WORKING CAPITAL RATIO
2017-2018	3,575,207.89	3,386,111.06	189,096.83	0.0528
2018-2019	3,847,764.01	3,653,971.40	193,792.61	0.0503

2019-2020	4,157,414.17	3,946,432.22	210,981.95	0.0507
2020-2021	4,805,451.77	4,570,056.99	235,394.78	0.0489
2021-2022	5,321,373.50	5,055,295.48	266,078.02	0.0500

(Source: Annual Reports of State Bank of India)

## INTERPRETATION

The above table indicates the working capital ratio of State Bank of India. The highest working capital ratio was 0.0528 in the year 2017-2018. The lowest working capital ratio was recorded in the year 2020-2021 with the ratio of 0.0489.

## FINDINGS

- During the 2020-2021, the net increasing working capital was achieved as Rs. 24,412.83.
- During the 2021-2022, the net increasing working capital was achieved as Rs. 30,683.24. It indicates that the SBI has a sound liquidity position and the working capital of the bank is gradually increasing year by year.
- The standard ratio of current ratio is 2:1. The company's highest ratio was 1.055 and lowest was 1.051. So the bank's current ratio is not satisfactory.
- The standard ratio of Quick ratio is 1:1 and the company's highest 0.078 in the year 2020-2021 so it is not satisfactory.
- Working capital ratio of the bank was highest 0.0528 in the year 2017-2018 and the current year ratio was 0.0500. The ratio was below 1 indicates the future liquidity problem. Thus, working capital ratio is not satisfactory.

## SUGGESTION

- The bank achieved a sound liquidity position and has employed working capital very successfully and maintained a balanced structure of borrowed and owned capital.
- The bank should pay off the current obligation as soon as possible, since it's growing year by year.
- The bank have low liquid ratio. Therefore, there is a need to increase the availability of liquid cash.
- The working capital ratio should be fuelled up to avoid the future liquidity problem.

## CONCLUSION

Working capital management is a significant part of monetary administration. The examination has been led on working capital administration which will assist the bank dealing with its working capital productively and viably. After the study of working capital management of State Bank of India from various financial aspects, it can be observed that the bank has an increasing working capital and maintains good liquidity position and adequate assets to reimbursement of liabilities. As in case of liquidity ratios, current and quick ratio was unable to even touch the ideal ratio, thus it has to increase short term liquidity to pay off its current dues. In addition to that there is a need for improvement in ratio related to working capital in order to enhance the liquidity and profitability position to the greater level.

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