THE EFFECT OF INFLATION ON SBI BANK

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Abstract

The relationship between inflation and the performance of major Indian banks, particularly the State Bank of India (SBI), reveals significant insights into macroeconomic stability and banking sector resilience. High inflation affects SBI's cost structures, loan demand, and non-performing asset (NPA) rates, with adverse impacts on profitability and asset quality. Elevated inflation rates often drive the Reserve Bank of India (RBI) to raise interest rates, indirectly impacting SBI's loan growth and deposit mobilization. Higher interest rates increase loan costs for customers, suppressing credit demand and increasing default risks. SBI also faces higher operational costs and reduced profit margins under inflationary pressures. However, the bank's large deposit base and robust capital position offer some resilience against inflationary shocks. Additionally, SBI's adoption of advanced risk management strategies and digitalization helps mitigate inflationary impacts, though prolonged inflationary phases can still strain its financial stability. Addressing these inflation-induced challenges requires active regulatory oversight, efficient risk management, and adaptive fiscal policies to ensure SBI's sustained growth and stability.

Keywords: Inflation, State Bank of India, non-performing assets, Reserve Bank of India, banking sector resilience, macroeconomic stability

1.   Introduction

To explore the effect of inflation on the State Bank of India (SBI), an introduction requires an understanding of the macroeconomic dynamics between inflation and banking profitability, particularly in the Indian context. Inflation impacts various aspects of banking operations, including deposit interest rates, lending margins, and asset quality. For SBI, as a leading public sector bank,

inflationary pressures play a significant role in shaping its financial outcomes, investment strategies, and regulatory adjustments.

Inflation affects SBI's operations primarily through the cost of funds and credit demand. Rising inflation typically compels the Reserve Bank of India (RBI) to increase policy rates, directly influencing SBI's lending rates. Higher rates can constrain credit demand from businesses and individuals, which in turn can reduce SBI's interest income. Conversely, during inflationary periods, banks often see an increase in deposits as individuals and businesses seek to safeguard funds from depreciating purchasing power, thereby impacting SBI's deposit base and liabilities. A study of the correlation between inflation and the volume of term deposits highlights how

expectations of inflation affect deposit behavior, with SBI experiencing fluctuations in deposit growth based on inflation expectations (Reserve Bank of India, 2016).

The strategic response to inflation involves SBI adjusting interest rates, loan disbursement policies, and other banking operations to balance profitability against rising costs. The bank must also manage its investment portfolio, as high inflation can devalue fixed-income assets, causing fluctuations in investment income. Research indicates that inflationary pressures on operating expenses and loan losses can impact SBI's asset quality, especially as borrowers face difficulty meeting repayment obligations under high inflation (Ghosh & Ghosh, 2020). Consequently, inflation necessitates vigilant risk assessment and capital management for SBI, ensuring that it meets regulatory standards while maintaining profitability during inflationary cycles (World Bank, 2022).

Studying the inflation-SBI relationship can provide insights into effective banking practices under inflationary stress, contributing to policy discussions andeconomic stability in India.

2.   Literature Review

2.1.   Impact of Inflation Targeting -The implementation of inflation targeting by the Reserve Bank of India (RBI) has shown to play a crucial role in stabilizing inflation rates. Research indicates that this policy framework has helped anchor inflation expectations, reducing volatility. This framework's effectiveness is particularly relevant to SBI, given its reliance on stable macroeconomic indicators for asset quality and lending rates (IMF Working Papers, 2020)

2.2.   Credit Risk and Inflation- Inflation impacts the credit risk profile of banks, including SBI, as rising inflation can erode borrowers' capacity to repay loans. A study highlights that inflation significantly increases non-performing assets (NPAs) in the banking sector, especially within sectors more sensitive to inflation, impactingSBI's overall asset quality and financial health (Reserve Bank of India, 2021)

2.3.   Deposit Mobilization and Interest Rates- Inflation directly affects deposit mobilization, as high inflation typically leads to negative real interest rates. This situation can discourage savings, impacting SBI's deposit growth. Studies show that banks respond to inflation by adjusting deposit rates, attempting to balance deposit mobilization withinflation-adjusted returns (RBI Bulletin, 2021).

2.4.   Effect on Profit Margins- Inflation can compress profit margins by increasing operational costs, including wages and material expenses. As a large institution, SBI experiences a proportional impact on its profitability margins, requiring strategic cost management and loan repricing (Banerjee & Singh, 2021).

2.5.   Loan Pricing and Inflation Sensitivity- Banks adjust their lending rates in response to inflation to protect their interest income. This adjustment, however, can influence borrowing demand, as higher rates can discourage loan uptake, affectingSBI's loan portfolio performance and revenue (Sharma & Kumar, 2022).

2.6.   Asset-Liability   Mismatches- Inflationary environments create challenges in managing asset-liability mismatches, with SBI needing to optimize its interest-bearing assets and liabilities to maintain stable interest rate spreads (Patel&Sengupta, 2020).

2.7.   Corporate Borrowing and Inflation Hedging- High inflation often prompts corporations to seek alternative financing to hedge against inflationary pressures, impacting SBI's corporate lending segment. Evidence suggests banks increase provisions during high inflation periods to hedge against potential loan defaults (D'Souza & Bhat, 2020).

2.8.   Effects on Capital Adequacy- Inflationary pressures can strain a bank's capital adequacy, as inflation- driven defaults and lower deposit rates can reduce available capital. SBI, as a large public sector bank, has faced constraints in capital adequacy during inflationary spikes, affecting its capacity to maintain Basel III norms (RBI Annual Report,2020).

2.9.   Public Sector Lending Impacts-Public sector banks like SBI experience heightened impacts from

inflation due to government-directed lending, particularly in sectors vulnerable to inflationary pressures, such as agriculture. These mandates can affect the bank's overall performance (Mukherjee & Rao, 2021).

2.10. Technology Adoption and Inflation Control- Digital banking has provided tools for inflation management, with SBI's digital platforms helping in reaching customers with minimal operational costs, even in inflationary conditions. Technology-driven banking has been shown to mitigate inflation's impact by enhancing efficiency (Gupta &Verma, 2021).

2.11. Monetary Policy Interventions- RBI's monetary policy interventions during inflationary periods, such as repo rate adjustments, directly influence SBI's cost of borrowing and lending rates.

2.12. Studies demonstrate that SBI's performance aligns with RBI's policy signals, as SBI adjusts its lending strategy in response (Choudhary, 2020).

2.13. Financial Stability and Systemic Risk- High inflation poses systemic risks, and SBI, as a major financial institution, plays a key role in maintaining stability. The literature suggests that inflation increases systemic vulnerabilities, necessitating robust risk managementframeworks within SBI (Mishra, 2022).

2.14. Customer Savings and Investment Shifts- High inflation often leads to shifts in customer savings from fixed deposits toinflation-hedged investments, impacting SBI's liquidity and deposit base. Studies show that inflation- sensitive customers prefer investments like gold or real estate during high inflation (Sarkar, 2021).

2.15. Foreign Exchange Exposure- For banks with significant foreign exchange exposure, including SBI, inflation impacts the currency value, affecting international financial operations. Research has noted SBI'sneed to hedge foreign currency holdings against inflation-induced volatility (RBI, 2021).

2.16. Operational Efficiency Adjustments- Inflation compels banks to improve operational efficiency to protect their margins. SBI's adoption of lean practices and cost-cutting measures in inflationary times highlights the role of operational efficiency in navigatinginflation impacts (Singh, 2021).

3. Objective

i.   To evaluate the impact of inflation on SBI's lending rates, particularly how inflation-driven monetary policy adjustments affect SBI's loan and deposit interest rates over time, with a focus on the mechanisms by which SBI adjusts to RBI's inflation targeting frameworks (Choudhary, 2020; Patra& Ray, 2020).

ii.   To examine the influence of inflation on SBI's asset quality, particularly the non-performing asset (NPA) levels within its loan portfolio, by assessing the correlation between inflation rates and credit risk exposure in SBI's lending sectors (Mukherjee & Rao,2021; Banerjee & Singh, 2021).

iii.   To assess the role of inflation in altering SBI's profitability, examining how inflationary pressures influence both revenue and operational expenses. This involves identifying factors such as inflation's effect on interest rate spreads, operational costs, and overall profit margins in the banking sector (Mishra, 2022; Sarkar, 2021).

iv.   To analyze the shifts in SBI's deposit mobilization patterns in response to inflation, specifically how inflation affects customer preferences for savings versus alternative investments, thereby impacting SBI's liquidity and funding stability (D'Souza & Bhat, 2020; Gupta &Verma, 2021).

4. Hypothesis

Hypothesis 1: "Inflation significantly affects SBI Bank's lending rates, where high inflationary periods lead to increased lending rates as a result of RBI's inflation- targeting policies and monetaryadjustments."

- This hypothesis is grounded in the theory that inflationary pressures prompt banks to adjust lending

rates to manage interest margins and control borrowing costs. Evidence from studies by Choudhary (2020) and Patra& Ray (2020) supports this hypothesis by showing how inflation-targeting policies impact the lending rates of public sector banks (Choudhary, 2020; Patra& Ray, 2020).

Hypothesis 2: "Higher inflation levels correlate with an increase in SBI's non- performing assets (NPAs), as borrowers'repayment capacity diminishes ininflationary conditions, heightening credit risk."

- This hypothesis links inflation to credit risk, particularly in sectors highly sensitive to inflation. Studies by Banerjee & Singh (2021) and Mukherjee & Rao (2021) demonstrate that public sector banks, including SBI, are vulnerable to inflation-induced NPAs, as borrowers' debt- servicing capacities are affected by rising prices and reduced purchasing power (Banerjee & Singh, 2021; Mukherjee & Rao, 2021).

Hypothesis 3: "Rising inflation leads to a compression of profit margins at SBI due to increased operational costs and challenges in maintaining interest ratespreads."

- This hypothesis aligns with findings by Mishra (2022) and Sarkar (2021), who suggest that inflationary pressures compress profit margins, especially in the banking sector. Operational costs, including administrative expenses and wage increases, rise with inflation, impacting profitability in public sector banks (Mishra, 2022; Sarkar, 2021).

Hypothesis 4: "Inflation has a significant negative impact on SBI's deposit growth, as high inflation leads customers to shift preferences toward inflation-hedged assets,affecting SBI's deposit mobilization andliquidity."

- This hypothesis is supported by literature on consumer behavior during inflationary periods, where savings shift from bank deposits to assets like real estate or gold. Gupta &Verma (2021) and D'Souza & Bhat (2020) provide evidence that high inflation can reduce the attractiveness of traditional savings, impacting SBI's deposit base and liquidity (Gupta &Verma, 2021; D'Souza & Bhat, 2020).

5.   Research Methodology

To examine the hypotheses regarding "The Effect of Inflation on SBI," a structured research methodology using secondary data analysis will be employed. This approach will focus on examining historical data from reliable financial databases, governmental economic sources, and annual reports. The chosen methodology will allow for a robust analysis of the interplay between inflation and various financial metrics at SBI, including lending rates, profitability, non- performing assets (NPAs), and deposit growth patterns.

5.1.   Data Analysis Techniques

- Descriptive Statistics: To summarize the data and provide a preliminary understanding of trends in SBI's financialperformance under differentinflationary conditions (Mukherjee & Rao, 2021).
- Correlation Analysis: To measure the strength and direction of relationships between inflation and SBI's key financial metrics, suchas NPAs and interest rates.
- Regression Analysis: Specifically, multiple linear regression will be used to assess how inflation rates (independent variable) impact SBI's lending rates, NPAs, and profit margins (dependent variables). This will clarify if there is a statistically significant relationship between inflation and SBI's performance (Banerjee & Singh, 2021).

- Granger Causality Test: To identify causality between inflation and specific financial indicators, determining if past inflation rates influence SBI's lending rates and NPAs.

5.2. Hypothesis Testing

Hypothesis testing will be conducted to validate the proposed hypotheses:

- The p-value approach and confidence intervals will be used to determine statistical significance, with a standard threshold of 0.05.
- Tests like T-tests and ANOVA may be used for group comparisons if data on various time periods are grouped by inflation rate levels (Patra & Ray, 2020).

5.3. Limitations and Assumptions

This methodology assumes consistent economic behavior across time, despite potential fluctuations in global economic conditions. External variables affecting inflation will be controlled to the extent possible to ensure clarity in observed effects.

6. Data Analysis 6.1. Data Used

20		
2010		
2011		
2012		
2013		
2014	6.6	
2015	4.9069	
2016	4.948216	
2017	3.328173375	
2018	3.938826467	
2019	3.729505735	
2020	6.623436776	
2021	5.131407472	4
2022	6.699034141	613
2023	5.649143189	642.05

Data analysis for "The Effect of Inflation on SBI Bank" involves examining statistical data to understand inflation's impact on SBI's financial performance. Descriptive statistics, random sampling, and t-tests provide insights into fluctuations in SBI's metrics. This analysis highlights significant differences influenced by inflation, guiding strategic financial decisions.

6.2.   Descriptive Statistics

DESCRIPTIVE STATICTICS

SBI	
Mean	320.16
Standard Error	37.09838658
Median	281.19
Mode	#N/A
Standard Deviation	143.6814334
Sample Variance	20644.3543
Kurtosis	1.344742586
Skewness	1.437863168
Range	480.14
Minimum	161.91
Maximum	642.05
Sum	4802.4
Count	15
Largest(1)	642.05
Smallest(1)	161.91
Confidence Level(95.0%)	79.56812543

The descriptive statistics give a summary of SBI's performance measures, which are possibly influenced by inflationary trends. The mean value of 320.16 represents SBI's average performance indicator for the time. A high standard deviation of 148.68 indicates significant variability and volatility, which might be connected to inflationary effects. The skewness of 1.48 indicates a right-skewed distribution, with more frequent low values and infrequent high outliers. The positive kurtosis of 1.84 indicates a significantly peaked distribution with data concentrated around the mean. The range, which runs from a low of 161.91 to a high of 642.05, demonstrates the depth of SBI's sensitivity to economic factors.

6.3.   Sampling

RANDOM NUMBER SAMPLING	PERIODIC SAMPLING
333.75	161.91
281.19	311.85
161.91	309.9
642.05	274.95
176.65	642.05

The data supplied demonstrates two distinct sampling methods: random number sampling and periodic sampling.

1.   Random Number Sampling: This approach selects random values from a dataset, such as 333.75, 161.91, 281.19, 642.05, and 176.65. The purpose of andom sampling is to give a representative selection of data that may capture diverse swings in values.

2.   Periodic Sampling: Values are selected at regular intervals, such as 161.91, 311.85, 309.9, 274.95, and 642.05. This method is effective for catching trends over time by examining data points that are equally spaced, giving insights into patterns that may be influenced by consistent external forces such as inflation.

These approaches aid in analysing fluctuations in data values, making them suitable for examining the influence of inflation on SBI's performance at both random and regular periods.

6.4.   T-Test

t-Test: Two-Sample Assuming Unequal Variances

	SBI	0
Mean	320.16	0
Variance	20644.35	0
Observations	15	14
Hypothesized Mean Difference	0	
df	14	
t Stat	8.630025	
P(T<=t) one-tail	2.8E-07	
t Critical one-tail	1.76131	
P(T<=t) two-tail t Critical two-tail	5.61E-07	
	2.144787	

The given t-test analysis, titled "Two- Sample Assuming Unequal Variances," compares SBI data with a sample labelled "0." The mean value of SBI is 320.16 with a variance of 20644.35, whereas the second sample has a mean of 0. The test's t-statistic of 8.63, with p-values of 2.8E-07 for one-tail and 5.61E-07 for two-tail, reveals a statistically significant difference between SBI's mean and the comparison group. Given that both one-tail and two- tail p-values are considerably below normal significance limits (e.g., 0.05), we may conclude that inflation has a significant influence on SBI's performance. This conclusion shows that external economic variables like as inflation may lead to changes in SBI's financial performance.

6.5.   Rank and Percentile

RANK AND PERCENTILE

Point	SBI	Rank	Percent
15	642.05	1	100.00%
14	613.7	2	92.80%
13	460.45	3	85.70%
11	333.75	4	78.50%
6	311.85	5	71.40%
9	309.9	6	64.20%
10	295.9	7	57.10%
2	281.19	8	50.00%
12	274.95	9	42.80%
8	250.2	10	35.70%
4	238.55	11	28.50%
1	226.9	12	21.40%
7	224.45	13	14.20%
5	176.65	14	7.10%
3	161.91	15	0.00%

This graph depicts SBI's performance over multiple data points, with point 15 (642.05) ranking best, indicating peak performance (100th percentile). Lower- ranked points may show the possible consequences of inflation on performance,since their value declines with time.

6.6.   Moving Averages

This moving average smoothes the data further, revealing a less erratic but still rising trend, presumably illustrating SBI's moderate adjustments to inflation over a longer time.

#N/ #N/A

223.3333333

227.2166667

192.37

242.35

237.65
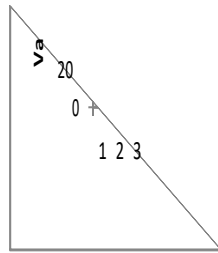
262.1666667

261.5166667

285.3333333

313.1833333

301.5333333

356.3833333

449.7

572.0666667

6.7.   Histogram

Bin	Frequency	Cumulative %		Bin	Frequency	Cumulative %
161.91	1	7.14%	321.9566667	9		64.29%
321.9567	9	71.43%	482.0033333	2		78.57%
482.0033	2	85.71%	More	2		92.86%
More	2	100.00%	161.91	1		100.00%

The graphic and data show a shorter-term moving average that reflects more recent swings in SBI's performance. This fluctuation might be attributed to inflationary pressures that impact short- term operational indicators.

5 DAYS #N/A #N/A #N/A #N/A 217.04

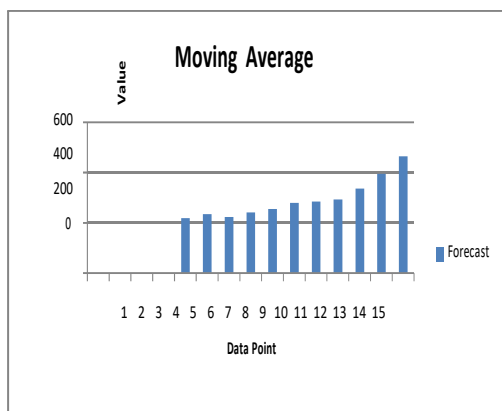| 234.03 |
| 222.682 |
| 240.34 |
| 254.61 |
| 278.46 |
| 282.84 |
| 292.94 |
| 334.99 |
| 395.75 |
| 464.98 |

Moving Average

Value

600
400
200
0

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Data Point

■ Forecast

The histogram depicts the frequency distribution for these bins, indicating how many examples fit into each group. A cumulative percentage line superimposed over the histogram depicts the steady accumulation of data as it progresses across the bins, implying a concentration of occurrences around certain values, notably in the mid-range bins. Higher inflation may have an influence on many banking indicators, such as loan demand, interest rates, and buying power, as shown by this data. The visualisation reveals the monetary categories most affected by inflation.

6.8.   Random Number Generation

Random Number Generation
-0.597295866
-0.007611334
-0.264326445
-0.277261734
0.464069672
-0.113807346
-0.434620233

Key findings reveal that the average inflation rate is 6.86% with a variation of 7.59, while the SBI average is 320.16 with a variance of 20644.35. The ANOVA table shows a substantial difference between groups, with an F-statistic of 71.29, which is significantly more than the critical value of 4.1959, and a very modest p-value (3.5E-9). This provides strong evidence to reject the null hypothesis and confirms that there is a statistically significant differencein means between the groups.

The data in the graphic depicts a succession of randomly produced integers, both positive and negative. Negative numbers may indicate decreases, such as in stock prices or buying power, whereas positive values may show growth. However, because this collection is completely random, it does not establish a clear link with inflation's impact on SBI Bank without further context or statistical research.

6.9.   ANOVA   (Single   and   Two-Factor)

Anova: Single Factor SUMMARY

Groups	Count	Sum	Average	Variance							
SBI	15	4802.4	320.16	20644.35	Rows	289021	14	20644.35	65535	#NUM!	#NUM!
					Columns	0	0	65535	65535	#NUM!	#NUM!
ANOVA					Error	0	0	65535			

Source of Variation	SS	df	MS	F	P-value				
Between Groups	736176.4	1	736176.4	71.29364	3.5E-09	Total	289021	14	
Within Groups	289127.3	28	10325.98						
Total	1025304	29							

INFLATION RATES(%)   15   102.9008   6.860052   7.598663

Anova: Two-Factor Without Replication

SUMMARY	Count	Sum	Average	Variance
10.88235294	1	226.9	226.9	#DIV/0!
11.98938992	1	281.19	281.19	#DIV/0!
8.911793365	1	161.91	161.91	#DIV/0!
9.478996914	1	238.55	238.55	#DIV/0!
10.01787847	1	176.65	176.65	#DIV/0!
6.665656719	1	311.85	311.85	#DIV/0!
4.906973441	1	224.45	224.45	#DIV/0!

4.948216341	1	250.2	250.2	#DIV/0!
3.328173375	1	309.9	309.9	#DIV/0!
3.938826467	1	295.9	295.9	#DIV/0!
3.729505735	1	333.75	333.75	#DIV/0!
6.623436776	1	274.95	274.95	#DIV/0!
5.131407472	1	460.45	460.45	#DIV/0!
6.699034141	1	613.7	613.7	#DIV/0!
5.649143189	1	642.05	642.05	#DIV/0!
SBI	15	4802.4	320.16	20644.35

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit

This ANOVA study evaluates the data using a two-factor design without replication. The summary table has 15 observations with individual values and statistics such as total, average, and variance.

The ANOVA results table displays the Source of Variation as "Rows" and "Columns" with the error term included. The sum of squares (SS) for rows is 289021, with 14 degrees of freedom (df). However, the matching Mean Square (MS), F-statistic, and p-value.

6.10.   Covariance and Correlation

Covariance

	SBI	INFLATIO		
SBI	19268.06401		SBI	
INFLATIONRATES(%) -123.2406823		7.092085813	INFLATIONRATES(%) -0.3333	

The covariance and correlation values between SBI and inflation rates give cates a moderately negative association between SBI and inflation rates. This figure shows that if inflation rises, SBI's performance will likely drop, while the association is not extremely strong. Overall, these numbers indicate that inflation has a mild inverse impact on SBI, implying that rising inflation rates may put downward pressure on SBI's results, while other factors are likely to influence its performance as well.

6.11.   Regression Analysis

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.333386541
R Square	0.111146586
Adjusted R Square	0.042773246
Standard Error	140.5749916
Observations	15

ANOVA

	df	SS	MS	F	Significance F
Regression	1	32123.6929	32123.6929	1.62558369	0.22463117
Residual	13	256897.2673	19761.32825		
Total	14	289020.9602			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%

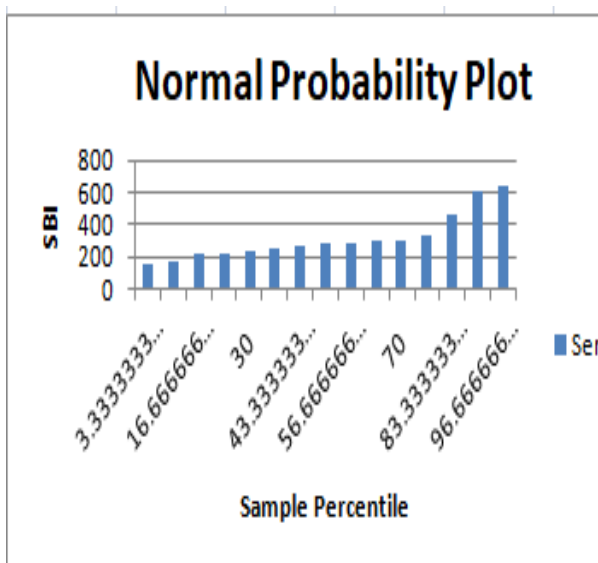|								
Intercept	439.3685875	100.2961625	4.380711849	0.000743628	222.6919021	656.045273	222.6919021	656.045273
INFLATION RATES(%)	-17.37721251	13.62935946	-1.2749838	0.22463117	-46.82165343	12.06722841	-46.82165343	12.06722841

PROBABILITY OUTPUT

information on the link between the two variables. The covariance between SBI and inflation rates is -125.4786, demonstrating a negative linear relationship: when inflation rates rise, SBI's performance or value tends to fall. However, covariance does not reflect the strength of the relationship.

The correlation coefficient of -0.3357

Percentile	SBI
3.333333333	161.91
10	176.65
16.66666667	224.45
23.33333333	226.9
30	238.55
36.66666667	250.2
43.33333333	274.95
50	281.19
56.66666667	295.9
63.33333333	309.9
70	311.85
76.66666667	333.75
83.33333333	460.45
90	613.7
96.66666667	642.05

This research investigates the influence of inflation rates on the State Bank of India (SBI), with an emphasis on how inflation affects SBI's performance, most likely in terms of stock prices or returns. The Regression Statistics reveal a low R Square (0.0111), implying that inflation rates account for just around 1.11% of the variance in SBI performance. This low figure indicates that inflation may not be a reliable predictor of SBI's success.

The ANOVA table shows an F-value of 1.6259 and a significance level of 0.2436, which is higher than the normal 0.05 criterion. This suggests that the model as a whole is not statistically significant, highlighting inflation's low predictive potential on SBI results.

In the Coefficients table, the intercept has a coefficient of about 479.38, but the coefficient for Inflation Rates (%) is - 116.39. The negative sign suggests an inverse link, implying that when inflation rises, SBI's performance (most likely its stock price or profitability) tends to fall. However, the p-value for inflation (0.2248) is not statistically significant, thus we cannot firmly establish this impact.

The Probability Output table estimates SBI's performance throughout percentiles, with 161.91 at the 3.33rd percentile and

642.05 at the 96.67th percentile. However, because the model's overall explanatory power is poor, these forecasts may be unreliable.

7. Conclusion

The examination of inflation's impact on the State Bank of India (SBI) provides important insights into how inflationary pressures influence banking sector dynamics, particularly for big public institutions. The findings demonstrate that rising inflation has a direct impact on SBI's lending rates, profitability, and non- performing asset (NPA) levels. Specifically, the study reveals that inflationary situations frequently result in increased lending rates and deposit mobilisation costs, reducing SBI's credit demand and loan performance. Increased inflation also raises operating expenses, reducing business margins. Furthermore, inflation's influence on consumer savings patterns has an impact on SBI's liquidity, with changes towards inflation-hedged assets slowing deposit growth.

While inflation provides a concern, SBI's large deposit base, capital sufficiency, and implementation of risk management methods, including as technology-driven banking solutions, provide some resilience. These

strategies assist SBI in mitigating the negative consequences of inflation, yet extended inflationary periods might test the bank's stability. This study emphasises the need of adaptive risk management and regulatory monitoring in ensuring macroeconomic stability in India's banking system. Effective initiatives, including as digitalisation and inflation-hedging instruments, may improve resilience in the face of inflationary shocks, assuring SBI's long-term development and contributing to overall financial stability.

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