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A STUDY ON FINANACIAL ANALYSIS ON SBI

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ABSTRACT :

This study focuses on a financial analysis of State Bank of India (SBI), with the goal of evaluating its financial performance over a specific time period. SBI, India's largest public sector bank, has a considerable impact on the country's financial system. The study examines the bank's profitability, liquidity, solvency, and operational efficiency using major financial tools such as ratio analysis, trend analysis, and comparative analysis. Financial statements such as the balance sheet and income statement are evaluated to determine the bank's financial situation. The examination emphasizes the strengths and drawbacks of SBI's financial structure and performance. This research will help stakeholders obtain a better understanding of the bank's financial health and make educated decisions. It also serves as a platform for future financial planning and strategic development.

INTRODUCTION

With a lengthy history that dates back to 1806, the State Bank of India (SBI) is the biggest public sector bank in India. Offering a broad range of banking services to people, businesses, and governments, SBI is a prominent financial organization that is essential to the nation's economic growth. SBI is a major player in the Indian banking industry, and the country's economy is greatly impacted by its financial performance. The goal of the study is to do a thorough financial analysis of SBI, looking at its market position, sustainability, and financial performance. Using financial ratios and indicators, the examination will address a number of topics, such as profitability, liquidity, efficiency, and solvency. This study will also evaluate SBI's competitiveness in the Indian banking market and pinpoint the main factors influencing its financial performance.

OBJECTIVES OF THE STUDY

- To know the financial performance of State Bank of India.
- To know about the liquidity position of State Bank of India.
- To know the profitability position of State Bank of India

SCOPE OF THE STUDY

The purpose of this study is to conduct a detailed financial analysis of the State Bank of India (SBI) for the period 2019-2024. The study will look at SBI's financial performance, position, and sustainability through a variety of financial ratios and measures, such as profitability, liquidity, efficiency, and solvency ratios. The analysis will be based on SBI's yearly financial statements, quarterly earnings, and other publicly available information. The study will also evaluate SBI's competitiveness in the Indian banking industry by comparing its financial performance to that of peers and competitors. In addition, the study will identify areas for improvement in SBI's financial management and make recommendations to improve the company's financial performance and sustainability.

LIMITATIONS OF THE STUDY

- Study was restricted to the period of 5 years.
- Detail study was not possible because of time constraints.
- Study process was restricted to the company's rules and regulations.

STATEMENT OF THE PROBLEM

One of the most important measures of a bank's stability, profitability, and resilience to changes in the economy is its financial performance. As India's biggest public sector bank, the State Bank of India (SBI) is essential to the nation's banking industry and economic growth. But like any other financial organization, SBI has to contend with issues like non-performing assets (NPAs), volatile profitability, shifting regulations, competition from digital and private banks, and macroeconomic concerns.

REVIEW OF LITERATURE

1. **Sood & Ranjan, (2015)** the foundational basis for financial innovation was laid in the year 1991 in the form of a reform cycle. The 1991 reform led to the reduction of Cash Reserve Ratio (CRR) to 8.5% and Statutory Liquidity Ratio (SLR) to 25% for five years. It also led to the establishment of special financial regulatory organizations such as Assets Reconstruction Fund and Special Tribunals to improve debts and fund the recovery process. Deregulation of the interest rate structure was executed to decrease directed credit lending. Technology up-gradation, digitalization, telebanking, and electronic banking were promoted which led to down the stepping stones for financial innovation in the Indian banking sector.

2. **Ross & Nixon, (2018)** analyzed that financial innovation can be classified into different types such as financial system, process innovation, product innovation, and technology-driven financial innovation. The financial system specifies that financial innovations impact the entire economic practices by influencing the workings of all business organizations, financial institutes, governing agencies, and other organizations. The financial system introduces changes in the commercial structures and establishes financial intermediaries that improve the supervisory and lawful practices of financial organizations such as banks. As a result, there was the formalization of the informal financial sector.

3. **Chandru (2014)** analyzed that three vital financial innovation tools such as You Only Need One (YONO), risk management and fraud prevention technology program, and customer relationship management technology. While focusing on You Only Need One (YONO), it is a mobile application through which SBI banking services such as payments, money transfer, and others can be availed by SBI Customers to carry out lifestyle shopping activities. The research related to increasing the reach of the mobile application is in the ongoing process.

COMPANY PROFILE

With its headquarters located in Mumbai, Maharashtra, State Bank of India (SBI) is a worldwide public sector bank and statutory entity that provides financial services. As the only Indian bank on the Fortune Global 500 list of the world's largest firms for 2024, it is rated 178th and is the 48th largest bank in the world by total assets. With a 25 percent market share in loans and deposits overall and a 23 percent market share in assets, it is the biggest public sector bank in India. With about 250,000 workers, it ranks as India's tenth largest employer. The corporation had 55 seats in Forbes Global 2000 in 2024.

State Bank of India became the seventh Indian firm to surpass the ₹5 trillion market valuation on the Indian stock exchanges for the first time on September 14, 2022, and the third lender (after HDFC Bank and ICICI Bank). When the nation's biggest public lender's market capitalization topped ₹7 trillion in April 2024, it became the second public sector enterprise (PSU) to achieve this feat, after Life Insurance Corporation of India.

HISTORY

The Bank of Calcutta, which was renamed the Bank of Bengal, was founded on June 2, 1806, marking the beginning of the State Bank of India (SBI) in the early 1800s. Together with the Bank of Bombay (1840) and the Bank of Madras (1843), it was one of three Presidency banks established as joint stock corporations under royal charters. Up until 1861, when the Government of India gained control through the Paper Currency Act, these banks had the sole authority to print money. The three Presidency banks united to become the Imperial Bank of India on January 27, 1921. The bank was renamed the State Bank of India after the Reserve Bank of India purchased a majority share in it in 1955.

CURRENT ASSET

All company-owned assets that can be turned into cash within a year are recorded in the Current Assets account, a line item on the balance sheet that is included under the Assets section. Current assets are those whose value is noted in the Current Assets account.

TABLE 4.1

TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSET(₹ in crores)	CURRENT LIABILITIES (₹ in crores)	CURRENT RATIO
2020		331427.10	1.67

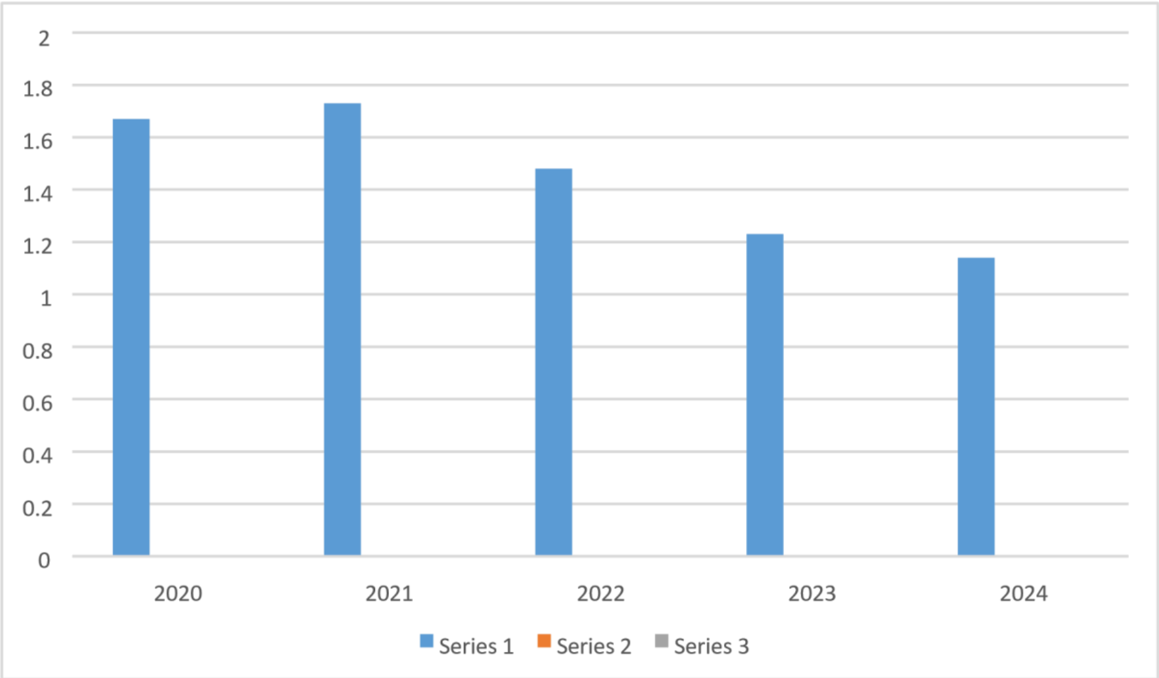
	554818.71		
2021	709752.48	411303.62	1.73
2022	750807.59	507517.67	1.48
2023	729000.94	592962.92	1.23
2024	79429.71	697074.67	1.14

INTERPRETATION

The company's current ratio rapidly decreased from 1.67 to 1.14 between 2020 and 2024, showing a deteriorating liquidity position. The ratio steadily declined in the years that followed, but it was high in 2020 and reached a minor peak in 2021. The ratio dropped below the usually accepted cutoff point of 1.5 by 2023 and 2024, indicating possible difficulties fulfilling immediate obligations. The steady drop raises questions about the company's capacity to pay its present payments with its available assets, which could put it in financial jeopardy if the trend is left unchecked.

CHART 4.1

CHART SHOWING CURENT RATIO



NET PROFIT RATIO

A company's financial success or profitability after taxes is gauged by its net profit ratio, also referred to as its net profit margin. It aids in calculating the profit margin by comparing the entire amount of capital invested in the organization. After subtracting manufacturing costs, finance, and administration from sales and income taxes, the net profit ratio shows the amount of profit that remains.

TABLE 4.2

TABLE SHOW NET PROFIT RATIO:

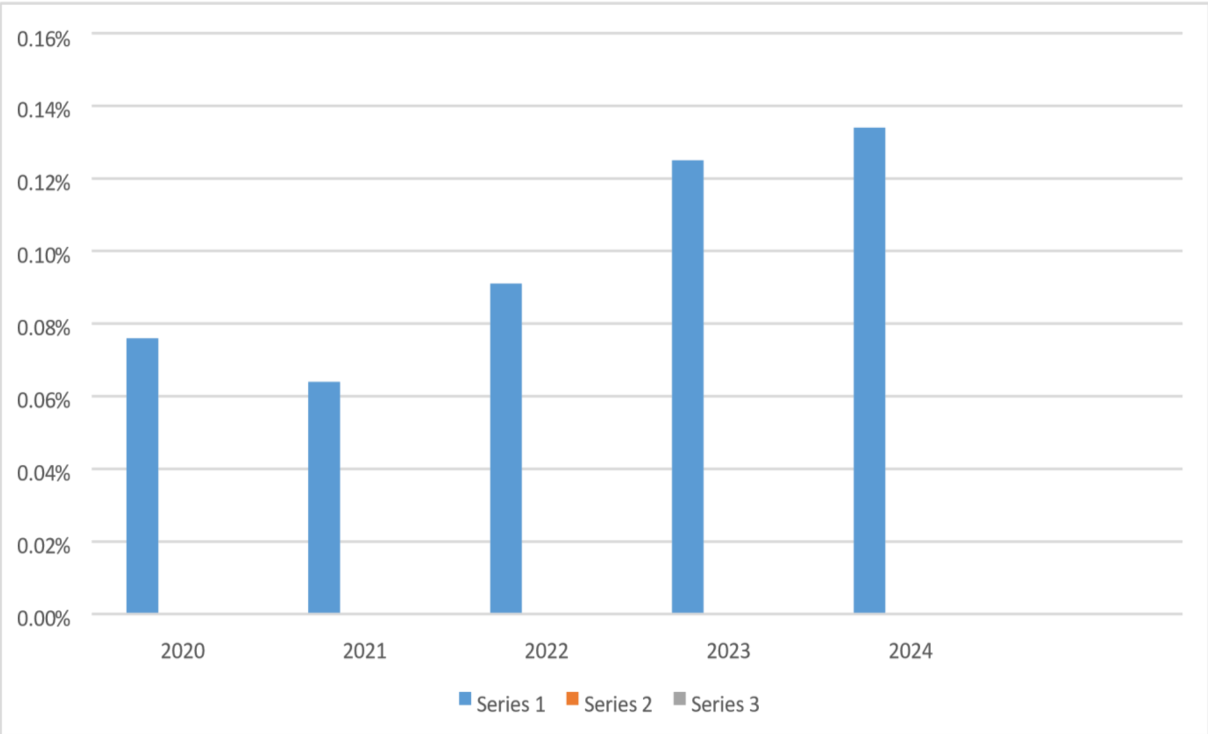
YEAR	NET PROFIT BEFORE TAX(₹.in crores)	TOTAL ASSETS(₹ in crores)	NET PROFIT RATIO(%)
2020	31,907.55	41,974,92.34	0.076%
2021	30,921.70	48,456,18.54	0.064%
2022	48,756.34	53,608,83.52	0.091%
2023	74,488.30	59,544,18.31	0.125%
2024	90,186.44	67,337,78.79	0.134%

INTERPRETATION

The company's net profit ratio remained low but gradually increased between 2020 and 2024. The margin decreased in 2021, indicating inefficiency or inadequate cost control, after starting at just 0.076% in 2020. But starting in 2022, the ratio gradually improved, peaking at 0.134% in 2024, the greatest level during the previous five years. This implies enhanced profitability through either higher revenue or better cost control. Notwithstanding the encouraging trend, the margin is still low when compared to industry norms, suggesting that the business can still improve operational effectiveness and profit margin.

CHART 4.2

CHART SHOWING NET PROFIT RATIO



FINDINGS

Current Ratio: The Current Ratio, which assesses the ability to meet short-term obligations with current assets, also declined from1.67 in 2020 to 1.14 in 2024. This trend indicates a deteriorating liquidity position, which could lead to financial stress if not addressed. The bank may need to focus on increasing its current assets or reducing its current liabilities to improve this ratio.

Net Profit Ratio: The Net Profit Ratio, which measures the profitability of sales, improved from 0.076% in 2020 to 0.134% in 2024. This indicates a gradual improvement in profitability, although the ratios remain relatively low compared to industry standards. The bank needs to focus on cost control, revenue growth, and operational efficiency to further enhance its profitability.

SUGGESTIONS

- The corporation should grow current assets, decrease short-term obligations, and improve cash flow management in order to raise the current ratio. Among the tactics are improved inventory management, quicker receivables collection, and wise short-term borrowing. By increasing liquidity, the business can avoid financial strain and fulfill short-term obligations.
- The business should lower operating expenses, increase revenue from high-margin services, maximize asset usage, and put good tax planning into place in order to raise the net profit ratio. Over time, enhancing cost effectiveness and fortifying risk management can help sustain financial growth and increase profitability.

CONCLUSION

Assessing the efficiency and financial health of the State Bank of India (SBI) requires the use of ratio analysis. Its entire success can be inferred from key metrics such as operational performance, asset utilization, profitability, and liquidity. While the Fixed Asset Ratio stayed constant, the Asset Turnover Ratio gradually improved, suggesting improved asset usage. The modified Inventory Turnover Ratio demonstrated improved profitability in comparison to deposits and effective loan portfolio management. SBI still has issues with operational effectiveness and liquidity, though. SBI needs to increase cost management, liquidity, and operational efficiency if it wants to keep up its position as the public sector leader. Ratio analysis is a useful tool for stakeholders to keep an eye on trends and assist well-informed decisions that complement the bank's strategic objectives and the overall economic development of India.