

## EVALUATING FINANCIAL PERFORMANCE: A CASE STUDY OF SBI

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### ABSTRACT

With respect to personnel, deposits, and assets, SBI is India's largest commercial bank. It is the largest bank in India, holding a quarter of the total loan and deposit market and a 23% market share in assets. SBI is ranked 236th out of the world's largest corporations in the Fortune Global 500 list for 2019. The purpose of the study is to analyze the financial performance of the State Bank of India. The SBI group's worries about the banking system's diminishing profitability as a result of unsecured advances and loans are growing. In accordance with the evolving social and economic objectives of Indian commercial banks, particularly those connected to the SBI group, the RBI places pressure on bank profitability and provide a variety of measures to reduce unsecured loans and advances. The foundation of the paper's data collection is secondary data that was gathered through a range of data approaches.

**Keywords:** Financial Performance, SBI, RBI, Indian commercial banks

### OVERVIEW:

One of the main pillars of the financial sector, which is essential to the economy's operation, is the banking industry. A nation's ability to finance its trade, industrial, and agricultural needs requires a greater level of dedication and accountability if it is to flourish economically. There are two main categories for the Indian banking industry: scheduled banks and non-scheduled banks. The Reserve Bank of India Act, 1934's second schedule lists the banks that are considered scheduled. The State Bank of India and its affiliates, Nationalized Banks, Regional Rural Banks, Foreign Banks, and Other Indian Private Sector Banks are the additional categories into which the scheduled banks are divided. The Banking Regulation Act of 1949 governs both scheduled and non-scheduled commercial banks, which are collectively referred to as commercial banks. Consequently, there is a gradual increase in the banking industry's essential links. The function of credit distribution and depositories to the banking system. This will also show the state of the nation.

### A REVIEW OF THE WORKS:

In terms of assets, deposits, and staff, SBI is the biggest commercial bank in India. For the majority of public sector companies, SBI is their bank of choice. With control over more than one-third of India's bank resources; it holds a special position in the country's financial industry. The public greatly trusts Statebank of India due to its commitment to providing quality services. The purpose of this study is to analyze State Bank of India's financial ratio analysis. For a commercial bank, maximizing profit is the primary goal. In order to do this, banks focus on analyzing their financial performance and make an effort to optimize their portfolio structure for maximum return. Ratio analysis is the most often used tool/technique for examining the bank's financial statement. Ratio analysis helps bank management pinpoint the course of action

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necessary to increase deposits, income, advances, and decrease expenditure while also modifying the banks' prospects for future profitability. It also helps identify the causes of changes in the banks' advances, income, deposits, expenditure, profits, and profitability over time.

As a result, the study was conducted to evaluate the financial standing of public sector banks, with a focus on SBI (State Bank of India).

### **OVERVIEW OF THE STUDY:**

The State Bank of India's financial performance is the subject of this study. Its purpose is to evaluate the State Bank of India's financial performance. The analysis is based on the company's annual reports covering the five years from 2013–14 to 2017–18. It comprises the State Bank of India's performance in terms of market-based ratios, liquidity, profitability, leverage, and turnover. The performance of employees, mutual funds in the Indian stock market, and human resource procedures are not covered in this study.

**PURPOSE OF THE STUDY:** 1. To analyze SBI's profitability and liquidity performance.  
2. To research SBI's performance in terms of market-based ratios and turnover.

### **THE STUDY'S HYPOTHESIS:**

Ho: The profitability ratio numbers of the chosen State Bank of India do not differ much.

Ho: The turnover ratio numbers of the chosen State Bank of India do not differ much.

Ho: The market-based ratio numbers of the chosen State Bank of India do not differ much.

### **ANNUAL REPORT'S STRUCTURE:**

The information is reported under the following headings in the company's annual report (balance sheet): board of directors, chairman's review, notice of meetings, and reports of the directors. sources of funding application, profit and loss report, personnel details, subsidiary company accounts, Financial ratios, dividend statistics, capital structure, cash flow statement, consolidated financial statement, shareholder reference, financial graphs, and the diagrammatic and graphical presentation of financial outcomes, among other things.

### **RESEARCH APPROACH:**

The secondary data that form the basis of this investigation. The analysis is based on market-based ratio, liquidity, profitability, leverage, and turnover ratio, all of which are computed using information from the State Bank of India's financial statements. Everything pertaining to the audit reports of the State Bank of India, including books, journals, magazines, and the internet.

### **METADATA FOR ANALYSIS:**

The data analysis methods employed in the study range from multivariate to descriptive statistics. The statistical tools' specifics are descriptive statistics such as the mean, standard deviation, multiple regression analysis, and two-way ANOVA.

### **LIQUIDITY RATIO IN SBI:**

The following table -1 current ratio in state bank of India.

**CURRENT RATIO**

(RS.in Crore)

Year	Current Assets	Current Liabilities	Ratio(in times)
2013-14	1740686.54	96412.96	18.05
2014-15	1965915.09	137698.05	14.30
2015-16	2188265.36	159675.57	13.18
2016-17	2509039.66	155235.19	16.16
2017-18	3187763.55	167133.08	19.07
Mean	2303134.44	143271.97	16.152
S.D	567962.5635	28351.47604	2.468799
CV	24.66041728	19.78857117	15.28479

Source: SBI Annual Reports.

Y's regression formula on X1 and X2

The equation model that is needed is  $17.847 + 6.446E-6 X1 + 0.00 X2$ .

Y stands for current ratio, X1 for current asset, and X2 for current liability.

Regression analysis's outcome

**PROFITABILITY RATIO IN SBI:** The capacity of a business to turn a profit is known as probability. An organization's ability to turn a profit is determined by its sales volume or the magnitude of its investment when examining profitability. Profitability ratios evaluate a company's overall efficacy and performance. The state bank of India's profitability ratio is displayed in Table -2 below.

**PROFITABILITY RATIO IN STATE BANK OF INDIA**

Year/Ratio	Gross profit ratio	Net profit ratio	Operating profit ratio	Return on total asset	Return on shareholders funds	Return on investment
2013-14	151.1	10.62	63.98	0.61	9.207781	2.73
2014-15	155.74	11.06	63.58	0.65	10.20068	2.64
2015-16	165.86	8.60	60.88	0.44	6.897629	2.08
2016-17	176.53	8.77	58.29	0.39	5.548176	1.36
2017-18	187.53	-4.63	58.09	-0.19	-2.98795	-0.65
Mean	167.36	7.004	60.964	0.38	5.777143	1.632
S.D	14.92716	6.628609	2.799862	0.337046	5.231195	1.387793
CV	8.919193	94.64461	4.592649	88.69631	90.54967	85.03633

Source: Calculated information

The gross profit ratio (167.36) has the highest mean value in the above table, followed by the operational profit (60.964), net profit (7.004), return on investment (1.632), return on shareholders' funds (5.77), and return on total assets (0.38). The State Bank of India's Gross Profit Inprofitability Ratio demonstrated the best performance.

Table 2.1 ANOVA- Profitability Ratio (RS.in Crore)

Source of variation	Sum of square	Degree of freedom	Mean square	F-ratio	P-value	F crit
Rows	20.66789	4	5.166973	0.086541	0.985652	2.866081
Columns	109801.1	5	21960.23	367.4247	5.87E-19	2.71089
Error	1195.359	20	59.76796			
Total	111017.2	29				

**TEST OF PROFITABILITY RATIO SIGNIFICANT**

Table 2.1 provides pertinent information on whether the State Bank of India's profitability ratio changed over the course of the last five years. ANOVA was applied in two ways.

Profitability Ratio (RS.in Crore) in Table 2.1 ANOVA

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It is clear from the above table that the F-value for the chosen alpha level (0.05) is smaller than the F-critical value. We therefore have sufficient evidence to support the null hypothesis, which states that at least one of the three samples belongs to a completely separate population because of its considerably different mean.

### SBI'S TURNOVER RATIO

A few numbers of ratios are available to measure turnover position. The activity of efficiency ratios is another name for the turnover ratios. They show how well the capital used is allocated within the company. The capital used in the business and turnover, or the rate at which the capital employed in the business totals greater or ratios, determine the overall profitability of the enterprise. The turnover ratio for State Bank of India is displayed in Table -2 below.

TURNOVER RATIO IN STATE BANK OF INDIA

Year/Ratio	Fixed Assets Turnover Ratio	Total Assets Turnover Ratio	Working Capital Turnover Ratio	Sales to Capital Employed Ratio
2013-14	12.80705	0.057182	0.062328	0.050435
2014-15	12.04223	0.054853	0.061316	0.058807
2015-16	11.13321	0.051201	0.059365	0.0551
2016-17	2.784553	0.044165	0.050773	0.046853
2017-18	3.534764	0.040918	0.046789	0.042999
Mean	8.460361	0.049664	0.056116	0.052838
S.D	4.88221	0.006938	0.00692	0.0076
CV	57.70688	13.96981	12.33135	14.38397

Origin: Calculated

The fixed assets turnover ratio (8.46) is the average figure shown in the above table. The working capital turnover ratio (0.056), sales to capital employed ratio (0.052), and total assets turnover ratio (0.049) are the next three ratios.

### SIGNIFICANCE-TURNOVER RATIO TEST

Table 3.1 provides pertinent information about any differences in the State Bank of India's turnover ratio over a five-year period. ANOVA was applied in two ways.

Table -3.1

ANOVA - TURNOVER RATIO

Source of Variation	Sum of Squares	Degrees of freedom	Mean square	F-ratio	P-value	F crit
Rows	0.000422	3	0.000141	351.9538	3.94E-07	4.757063
Columns	9.21E-05	2	4.6E-05	115.2309	1.63E-05	5.143253
Error	2.4E-06	6	3.99E-07			
Total	0.000518	11				

### CONCLUSION:

A company's liquidity ratio indicates how well-positioned it is to pay short-term debt. The profitability ratio is best understood as earnings earned in relation to the resources invested in firm activities. The average mean of the current ratio was 16.15 times, the average mean of the absolute ratio was 0.42 times, and the average mean of the defensive-interval ratio was 0.390 times. 167.36 percent was the average gross profit ratio, 7.004 percent was the average net profit ratio, 60.96 percent was the average operating profit ratio, 0.38 percent was the average return on total assets, 5.77 percent was the average return on shareholders' fund, and 1.63

percent was the average return on investment. The activity or turnover ratio quantifies how well a business generates income by turning its output into sales or cash. The average sales to capital employed ratio were 0.052 times, the average working capital turnover ratio was 0.05 times, the average total turnover ratio was 0.049 times, and the average fixed assets ratio was 8.4 times. The analysis shows that the SBI is operating profitably and upholding the necessary criteria. The mobilization of deposits, loans and advances, investment position, non-performing assets, earnings, and profitability efficiency have all been thoroughly examined in relation to SBI's overall performance.

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