



ORIGINAL RESEARCH PAPER

Commerce

A STUDY ON FINANCIAL PERFORMANCE OF STATE BANK OF INDIA

KEY WORDS: Financial performance, Comparative study, Recovery trend

S. Sowbarnika

Ph.D Scholar, School of Commerce. PSG College of Arts and Science, Tamilnadu, India.

Dr. M. Jayanthi*

Associate Professor, School of Commerce, PSG college of Arts and Science, Coimbatore, Tamilnadu, India *Corresponding Author

ABSTRACT

The study was undertaken to examine the financial performance of SBI which plays a crucial role in growth of banking. SBI being India's largest bank with the rich experience gained over generation that address complex financial requirements, brings considerable expertise in engineering financial packages. The global presence as also the well spread domestic branch network of SBI ensures that the delivery of every project financial needs are totally taken care of. The present study is undertaken to highlight the comparative study on the financial performance of SBI bank from 2010-2011 to 2014-2015. The study is mainly approached from the point of view of SBI bank's report. It does not consider other's view. The study focuses only on the financial performance of SBI bank & not its other associates-SBBJ, SBH, SBM, SBP and SBT. The study reveals that it has increased its revenue by the implementation of innovative schemes to the public. Overall, SBI shows a recovery trend over the last five years.

INTRODUCTION

A bank is a financial institution that creates credit by lending money to a borrower, thereby creating a corresponding deposit on the bank's balance sheet. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel accounts.

State Bank of India is founded in 1806. Bank of Calcutta was the first bank established in India and over a period of time evolved into SBI. SBI represents a sterling legacy of over 200 years. It is the oldest commercial Bank in the Indian subcontinent, strengthening the nation's trillion-dollar economy and serving the aspirations of its vast population. The Bank is India's largest commercial bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum.

Statement of the Problem

State Bank of India is an Indian Multinational Public sector Banking and Financial Services Company. It is a Government owned corporation having 13000 branches including 190 Foreign offices making it the largest Banking and Financial services company in India by assets. Since its inception in 1955, the Project finance SBU has built up a strong reputation for its in-depth understanding about the project and also its ability to provide financial solutions. State Bank of India is chosen for this purpose and hence the financial position plays an essential role in growth and diversified requirement for the different levels of project.

Literature review

VERMA et al. (2011) in his paper entitled 'performance of scheduled commercial banks in India: an application of DEA' analyze the efficiency of 88 schedule commercial banks with the data set ranging from the year 1998-99 to 2007-08. The results indicate that the public sector and foreign banks needed to take steps to reduce the expenses and improve the output at the given input level because they had failed to acquire full efficiency score in six and five years respectively, out of the ten years under study.

SHOBANA(2010) in her paper entitled 'operational efficiency of public sector banks in India-a Non-Parametric Model' focuses on the operational efficiency of public sector banks in India using a non-parametric model, which measures the efficiency as a ratio of output index to an index of input used. The findings reveal that, out of 27 public sector banks in India, only nine banks had

achieved high level of efficiency in its operations, with Oriental Bank of Commerce at the top.

SINHA et al. (2009) in their paper entitled "Bank Ownership and Deposit Mobilization: A Non-Parametric Approach" compare the performance of 40 Indian commercial banks using window analysis, considering deposit mobilizations as the output indicator. The results obtained from the study indicate that mean technical efficiency of the in-samples banks exhibited a declining trend for the period. The decline in mean technical efficiency was due to a greater divergence in performance compared to the frontier. Among the samples banks, the private sector banks performed better than the public sector banks.

SINGLA HK (2008), in his paper 'Financial Performance of Banks in India', in ICFAI Journal of Bank Management No7. Has examined that how financial management plays a crucial role in growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital and balance sheet place, banks in better position to deal with and absorb the economic constant over a period of time.

Research Methodology

Research Design: The Research work is analytical in nature as it is based on secondary data.

Data Collected: This study is based on secondary data. This data was collected from the annual report of State Bank of India. In addition to the records of the bank, data was collected from banking bulletin, websites, newspaper and magazine.

Period of Study: The study will cover the period of 5 financial years from 2010-2011 to 2014-2015.

Tools used for the study: Data will be collected from diverse source that is put through analysis using the following tools:

- Comparative Balance Sheet.

Objective of the study

1 To analyze the comparative growth of the State bank of India.

Data Analysis

Comparative Balance sheet of Financial Year 2010-2011 (AMOUNT IN CRORES)

PARTICULARS	2010	2011	Change in amount	Change In Percentage
CURRENT ASSET				
Cash and Balance with RBI	61,290.87	94,395.50	33104.63	54.01

Balance with Banks Money at call	34,892.98	28,478.65	-6414.33	-18.38
Advances	631,914.15	756,719.45	124805.30	19.75
Investment	285,790.07	295,600.57	9810.50	3.43
GROSS BLOCK	11,831.63	4,431.96	-7399.67	-62.54
Revaluation reserves	-	-	0.00	0.00
Accumulated Depreciation	7,713.90	-	-7713.90	-100.00
Net block	4,117.73	4,431.96	314.23	7.63
Capital work in Progress	295.18	332.23	37.05	12.55
OTHER ASSETS	35112.76	43,777.85	8665.09	24.68
Total Asset	1,072,959.27	1,223,736.21	150776.94	14.05
Contingent Liabilities	429,917.37	790,389.59	360472.22	83.85
Bills for Collection	166,449.04	-	-166449.04	-100.00
Book Value	1,038.76	1,023.40	-15.36	-1.48
CAPITAL AND LIABILITIES				
Equity share capital	634.88	635.00	0.12	0.02
Reserves	65,314.32	64,351.04	-963.28	-1.47
NET WORTH	65,949.20	64,986.04	-963.16	-1.46
Deposits	804,116.23	933,932.81	129816.58	16.14
Borrowings	103,011.60	119,568.96	16557.36	16.07
TOTAL DEBT	907,127.83	1,053,501.77	146373.94	16.14
Other liabilities and provisions	80,336.70	105,248.39	24911.69	31.01
TOTAL LIABILITIES	1,053,413.73	1,223,736.20	170322.47	16.17

INTERPRETATION

- The current assets (gross block) have decreased by 62.54% and the cash has decreased by 18.38%. this inturn indicates that the net worth of the firm has gone up to 1.46%. this indicates that the Book value of the firm has been affected and decreased to 1.48%.
- The fixed assets (net block) have increased by 7.63% relatively the other liabilities & provisions have increased by 31.01% and the equity share capital has also increased by 0.02%. This depicts that the policy of the bank is to purchase fixed assets from the long term sources of finance..
- Reserves and surplus have decreased up to 1.47% which shows that the company has utilized R&S for payment of dividends to the shareholders.

Comparative Balance sheet of Financial Year 2011-2012 (AMOUNT IN CRORES)

Particulars	2011	2012	Change in amount	Change In Percentage
Current Asset				
Cash and Balance with RBI	94,395.50	54,075.94	-40319.56	-42.71
Balance with Banks Money at call	28,478.65	43,087.23	14,608.58	51.30
Advances	756,719.45	867,578.89	110859.44	14.65
Investment	295,600.57	312,197.61	16597.04	5.61
GROSS BLOCK	4,431.96	5,133.87	701.91	15.84
Revaluation reserves	-	-	0.00	0.00
Accumulated Depreciation	-	-	0.00	0.00
Net block	4,431.96	5,133.87	701.91	15.84
Capital work in Progress	332.23	332.68	0.45	0.14
OTHER ASSETS	43,777.85	53,113.02	9335.17	21.32
Total Asset	1,223,736.21	1,335,519.24	111783.03	9.13
Contingent Liabilities	790,389.59	899,565.18	109175.59	13.81
Book Value	1,023.40	1,251.05	227.65	22.24

CAPITAL AND LIABILITIES				
Equity share capital	635.00	671.04	36.04	5.68
Reserves	64,351.04	83,280.16	18929.12	29.42
NET WORTH	64,986.04	83,951.20	18965.16	29.18
Deposits	933,932.81	1,043,647.36	109714.55	11.75
Borrowings	119,568.96	127,005.57	7436.61	6.22
TOTAL DEBT	1,053,501.77	1,170,652.93	117151.16	11.12
Other liabilities and provisions	105,248.39	80,915.09	-24333.30	-23.12
TOTAL LIABILITIES	1,223,736.20	1,335,519.22	111783.02	9.13

INTERPRETATION

- The current assets (gross block) have increased by 15.84% and the cash has increased by 51.30%. this inturn indicates that the net worth of the firm has gone up to 29.18%. this indicates that the Book value of the firm has been affected and increased to 22.24%. This further confirms that the company has raised long-term finances resulting to improvement in the liquidity position.
- The fixed assets (net block) have increased by 15.84% relatively the other liabilities & provisions have decreased by 23.12% as the deposits have increased up to 11.75% and the equity share capital has also increased by 5.68%. This depicts that the policy of the bank is to purchase fixed assets from the long term sources of finance..
- Reserves and surplus have increased up to 29.42% which shows that the company has excess amount in R&S from the profits accumulated.

Comparative Balance sheet of Financial Year 2012-2013 (AMOUNT IN CRORES)

Particulars	2012	2013	Change In Amount	Change In Percentage
Current Asset				
Cash and Balance with RBI	54,075.94	65,830.41	11754.47	21.74
Balance with Banks Money at call	43,087.23	48,989.75	5902.52	13.70
Advances	867,578.89	1,045,616.55	178037.66	20.52
Investment	312,197.61	350,927.27	38729.66	12.41
GROSS BLOCK	5,133.87	6,595.71	1461.84	28.47
Revaluation reserves	-	-	0.00	0.00
Accumulated Depreciation	-	-	0.00	0.00
Net block	5,133.87	6,595.71	1461.84	28.47
Capital work in Progress	332.68	409.31	76.63	23.03
Other Assets	53,113.02	47,892.03	-5220.99	-9.83
Total Asset	1,335,519.24	1,572,856.74	237337.50	17.77
Contingent Liabilities	899,565.18	993,018.45	93453.27	10.39
Book Value	1,251.05	1445.60	194.55	15.55
CAPITAL AND LIABILITIES				
Equity share capital	671.04	684.03	12.99	1.94
Reserves	83,280.16	98,199.65	14919.49	17.91
NET WORTH	83,951.20	98,883.68	14932.48	17.79
Deposits	1,043,647.36	1,202,739.57	159092.21	15.24
Borrowings	127,005.57	169,182.71	42177.14	33.21
TOTAL DEBT	1,170,652.93	1,371,922.28	201269.35	17.19
Other liabilities and provisions	80,915.09	95,455.07	14539.98	17.97
Total Liabilities	1,335,519.22	1,566,261.03	230741.81	17.28

INTERPRETATION

- The current assets (gross block) have increased by 28.47% and the cash has increased by 13.70%. this inturn indicates that

the net worth of the firm has gone up to 17.79%. this indicates that the Book value of the firm has been affected and increased to 15.55%. This further confirms that the company has raised long-term finances resulting to improvement in the liquidity position.

- The fixed assets (net block) have increased by 28.47% relatively the other liabilities & provisions have increased by 17.97% as the deposits have increased up to 15.24% and the equity share capital has also increased by 1.94%. This depicts that the policy of the bank is to purchase fixed assets from the long term sources of finance..
- Reserves and surplus have increased up to 17.91% which shows that the company has excess amount in R&S from the profits accumulated.

Comparative Balance sheet of Financial Year 2013-2014 (AMOUNT IN CRORES)

Particulars	2013	2014	Change In Amount	Change In Percentage
Current Asset				
Cash and Balance with RBI	65,830.41	84,955.66	19125.25	29.05
Balance with Banks Money at call	48,989.75	47,593.97	-1395.78	-2.85
Advances	1,045,616.55	1,209,828.72	164212.17	15.70
Investment	350,927.27	398,308.19	47380.92	13.50
Gross Block	6,595.71	8,002.16	1406.45	21.32
Revaluation reserves	-	-	0.00	0.00
Accumulated Depreciation	-	-	0.00	0.00
Net block	6,595.71	8,002.16	1406.45	21.32
Capital work in Progress	409.31	-	-409.31	-100.00
OTHER ASSETS	47,892.03	43,545.90	-4346.13	-9.07
Total Asset	1,572,856.74	1,792,234.60	219377.86	13.95
Contingent Liabilities	993,018.45	1,091,358.37	98339.92	9.90
Book Value	1,445.60	1,584.34	138.74	9.60
CAPITAL AND LIABILITIES				
Equity share capital	684.03	746.57	62.54	9.14
Reserves	98,199.65	117,535.68	19336.03	19.69
NET WORTH	98,883.68	118,282.25	19398.57	19.62
Deposits	1,202,739.57	1,394,408.51	191668.94	15.94
Borrowings	169,182.71	183,130.88	13948.17	8.24
TOTAL DEBT	1,371,922.28	1,577,539.39	205617.11	14.99
Other liabilities and provisions	95,455.07	96,412.96	957.89	1.00
TOTAL LIABILITIES	1,566,261.03	1,792,234.60	225973.57	14.43

INTERPRETATION

- The current assets (gross block) have increased by 21.32% and the cash has decreased by 2.85%. this inturn indicates that the net worth of the firm has gone up to 19.62%. this indicates that the Book value of the firm has been affected and increased to 9.60%.
- The fixed assets (net block) have increased by 21.32% relatively the other liabilities & provisions have increased by 1% and the equity share capital has also increased by 9.14%. This depicts that the policy of the bank is to purchase fixed assets from the long term sources of finance..
- Reserves and surplus have increased up to 19.69% which shows that the company has utilized R&S for the payment of dividends to the shareholders.

Comparative Balance sheet of Financial Year 2014-2015 (AMOUNT IN CRORES)

Particulars	2014	2015	Change In Amount	Change In Percentage
Current asset				

Cash and Balance with RBI	84,955.66	115,883.84	30928.18	36.41
Balance with Banks Money at call	47,593.97	58,977.46	11383.49	23.92
Advances	1,209,828.72	1,300,026.39	90197.67	7.46
Investment	398,308.19	495,027.40	96719.21	24.28
Gross Block	8,002.16	9,329.16	1327.00	16.58
Revaluation reserves	-	-	0.00	0.00
Accumulated Depreciation	-	-	0.00	0.00
Net block	8,002.16	9,329.16	1327.00	16.58
Capital work in Progress	-	-	-	-
Other Assets	43,545.90	68,835.55	25289.65	58.08
Total Asset	1,792,234.60	2,048,079.80	255845.20	14.28
Contingent Liabilities	1,091,358.37	1,093,422.51	2064.14	0.19
Book Value	1,584.34	172.04	-1412.30	-89.14
CAPITAL AND LIABILITIES				
Equity share capital	746.57	746.57	0.00	0.00
Reserves	117,535.68	127,691.65	10155.97	8.64
NET WORTH	118,282.25	128,438.22	10155.97	8.59
Deposits	1,394,408.51	1,576,793.24	182384.73	13.08
Borrowings	183,130.88	205,150.29	22019.41	12.02
TOTAL DEBT	1,577,539.39	1,781,943.53	204404.14	12.96
Other liabilities and provisions	96,412.96	137,698.05	41285.09	42.82
TOTAL LIABILITIES	1,792,234.60	2,048,079.80	255845.20	14.28

INTERPRETATION

- The current assets (gross block) have increased by 16.58% and the cash has increased by 23.92%. this inturn indicates that the net worth of the firm has gone up to 8.59%. this indicates that the Book value of the firm has been decreased to 89.14%.
- The fixed assets (net block) have increased by 16.58% relatively the deposits have increased by 13.08% and the equity share capital is stable. This depicts that the policy of the bank is to purchase fixed assets from the long term sources of finance..
- Reserves and surplus have increased up to 8.64% which shows that the company has excess amount in R&S from the profits accumulated.

FINDINGS

The comparative balance sheet of SBI bank for these 5years shows that the bank has increased its equity capital which in turn is used for the diversifying the investment. SBI has used its Reserves and Surplus efficiently in paying higher returns to its shareholders.

SUGGESTION

- SBI should also increase its sales by implementing new policies in the rural sector and attracting customers in the urban sector so that the net profit of the bank increases respectively.
- SBI being India's largest lender has to focus on its performance to give specific outcomes.
- SBI has to increase its capital in crores to increase sales which in turn increases the financial strength.

CONCLUSION

From the financial analysis it is inferred that SBI has a good financial strength. SBI being ranked the top public sector bank with efficient performance, the financial reports stand important to Government, investors, customers and competitors to analyse the performance of the bank. Investors will also prefer to invest in SBI owing to regular payments of dividends. SBI has also increased its revenue by the implementation of innovative schemes to the public. Overall, SBI shows a recovery trend over these 5 years.

REFERENCES**BOOKS**

1. 'MANAGEMENT ACCOUNTING' Shashi K. Gupta, R.K Sharma and Neeti Gupta
2. ANNUAL REPORT of SBI from financial year 2010-2011 to 2014-2015.
3. BANKING SERVICE CHRONICLE- monthly magazine

WEBSITE

4. www.sbi.com
5. www.wikipedia.com
6. www.investopedia.com
7. www.capitaline.com
8. www.moneycontrol.com