

A STUDY ON FINANCIAL PERFORMANCE OF SBI BANK , HYDERABAD

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ABSTRACT

This study aims to evaluate the financial performance of **State Bank of India (SBI)** through an in-depth ratio analysis over a selected period. SBI, as India's largest public sector bank, plays a pivotal role in the Indian banking industry. To understand its financial health, key ratios such as **Current Ratio, Quick Ratio, Debt-Equity Ratio, Return on Equity (ROE), Net Profit Margin, Earnings per Share (EPS), and Capital Adequacy Ratio** have been analyzed. The methodology involves secondary data collection from annual reports and financial statements of SBI from **2021 to 2025**, followed by a comparative and trend analysis. The results reveal SBI's overall financial stability, its effective asset-liability management, and its capability to generate shareholder value. Particular attention is given to liquidity, solvency, profitability, and operational efficiency ratios. The findings suggest that SBI has maintained a relatively strong financial position, with improvements in profitability and capital structure over the years. However, certain indicators highlight the need for better management of non-performing assets and operational costs. The study concludes by offering strategic suggestions for sustaining growth, enhancing operational efficiency, and improving investor confidence.

Keywords: Financial Performance, Ratio Analysis, State Bank of India (SBI), Profitability Ratios, Capital Adequacy.

INTRODUCTION

The financial performance of any banking institution is a critical indicator of its overall health, stability, and efficiency in serving the economy. **State Bank of India (SBI)**, being the largest public sector bank in India, holds a dominant position in the country's banking and

financial services sector. With a legacy that spans over two centuries, SBI plays a crucial role in channelling savings into productive investments, supporting infrastructure development, and promoting inclusive financial growth. The assessment of a bank's financial performance is essential not only for internal management and stakeholders but also for investors, regulators, and the broader economy. One of the most effective tools to evaluate this performance is **Ratio Analysis**. Financial ratios provide insights into various dimensions of a bank's operations such as liquidity, solvency, profitability, and efficiency. These indicators help in interpreting the complex financial data and in identifying trends over time.

REVIEW OF LITERATURE

Sharma, A. (2025) "A Comparative Study of Financial Performance of Public and Private Sector Banks" This study evaluated financial ratios such as ROE, NPA, and CAR in SBI and HDFC Bank. The findings showed SBI's stable profitability and improving asset quality over the five years. The research emphasized the role of efficient credit management in sustaining financial health.

Rao, D. & Kiran, V. (2024) "Ratio Analysis as a Tool for Evaluating Financial Soundness of Indian Banks" The paper analyzed liquidity and solvency ratios of major Indian banks. SBI demonstrated stronger capital adequacy and lower risk exposure compared to some peers, indicating prudent financial practices.

Kumari, S. (2024) "Financial Ratio Analysis of State Bank of India: A Five-Year Perspective"

Focusing exclusively on SBI, the study found that while profitability ratios were volatile due to pandemic effects, liquidity ratios showed significant improvement post-2021.

Recommendations included better expense control and digital transformation.

NEED FOR THE STUDY

In today's competitive and dynamic financial environment, the assessment of a bank's financial performance is of paramount importance. The banking sector plays a critical role in the economic development of a country by mobilizing savings and providing credit to various sectors. Among the Indian banks, the **State Bank of India (SBI)** stands out as a market leader with the largest customer base and extensive national and international reach. Analyzing the financial health of SBI is, therefore, essential to understand not only the bank's performance but also its impact on the broader economy.

OBJECTIVES OF THE STUDY

1. **To analyze the liquidity position of SBI** through ratios such as the Current Ratio and Quick Ratio, and assess the bank's short-term financial obligations and operational efficiency.
2. **To evaluate the profitability performance** of SBI using indicators like Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Earnings Per Share (EPS).
3. **To assess the solvency and financial stability** of SBI by examining the Debt-to-Equity Ratio and Capital Adequacy Ratio over the selected period.
4. **To identify trends and patterns in SBI's financial performance** through year-wise comparison and trend analysis of key financial ratios.
5. **To offer meaningful suggestions** based on the findings that can help improve SBI's financial efficiency, risk management practices, and long-term sustainability.

SCOPE OF THE STUDY

The scope of this study is centered around analyzing the financial performance of **State Bank of India (SBI)** through the application of ratio analysis over a period of **five financial years (2021 to 2025)**. This study is designed

to provide stakeholders—including management, investors, researchers, and policymakers—with a deeper understanding of the bank's financial health, strengths, and potential areas for improvement. The study focuses on key financial indicators such as **liquidity ratios, profitability ratios, solvency ratios, efficiency ratios, and market valuation ratios**. By evaluating these ratios, the study offers a comprehensive view of SBI's operational efficiency, earnings capacity, capital structure, and risk management efficiency.

METHODOLOGY

The methodology section outlines the research process and tools used to conduct the financial performance analysis of **State Bank of India (SBI)**. This study employs **quantitative research methods**, with a focus on **secondary data collection and ratio analysis techniques** to evaluate SBI's financial health over the period **2021 to 2025**.

1. Data Collection Method:

- The study is based on **secondary data**.
- Financial data has been collected from:
 - SBI's Annual Reports (2021–2025)
 - Official SBI website (www.sbi.co.in)
 - Reserve Bank of India (RBI) bulletins and publications
 - Financial databases such as Moneycontrol, NSE, and BSE
 - Government and regulatory reports related to banking performance

2. Tools and Techniques Used:

- **Ratio Analysis:** To evaluate financial performance, various ratios are calculated under different categories:
 - **Liquidity Ratios:** Current Ratio, Quick Ratio
 - **Profitability Ratios:** Net Profit Margin, Return on Assets (ROA), Return on

- Equity (ROE), Earnings Per Share (EPS)
- **Solvency Ratios:** Debt-to-Equity Ratio, Capital Adequacy Ratio
- **Efficiency Ratios:** Working Capital Turnover Ratio, Asset Turnover Ratio
- **Trend Analysis:** Year-on-year trends of key ratios are observed to understand SBI's financial trajectory over the five-year period.
- **Statistical Tools** (if applied): Correlation and regression analysis may be used to examine the relationship between working capital and profitability.

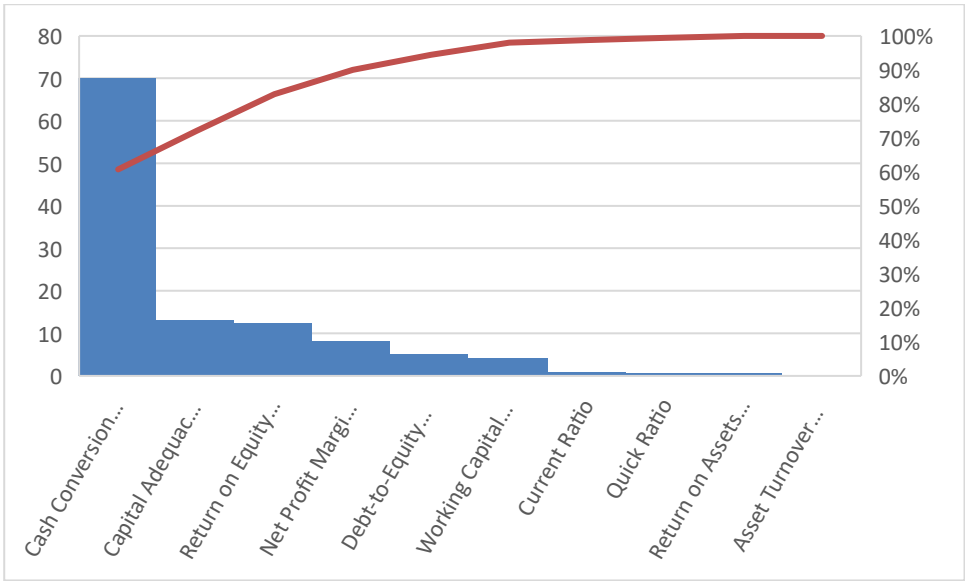
LIMITATIONS OF THE STUDY

DATA ANALYSIS AND INTERPRETATION

Financial Ratio Analysis Table

- The study is entirely based on secondary data collected from SBI's published annual reports and financial databases. Any errors or discrepancies in the reported data may affect the accuracy of the analysis.
- The analysis covers the period from **2021 to 2025**. It does not account for future changes, real-time financial events, or upcoming policy shifts that may impact the bank's performance beyond the selected timeframe.
- The study does not consider qualitative elements such as customer satisfaction, employee morale, management decisions, or competitive positioning, which also influence a bank's overall performance.

Year	Current Ratio	Quick Ratio	Working Capital Turnover	Cash Conversion Cycle	Net Profit Margin (%)	Return on Assets (ROA)	Return on Equity (ROE)	Debt-to-Equity Ratio	Capital Adequacy Ratio	Asset Turnover Ratio
2021	0.85	0.75	4.2	70	8.2	0.65	12.5	5.1	13.0	0.05
2022	0.88	0.78	4.5	68	9.1	0.72	13.8	4.9	13.2	0.06
2023	0.90	0.80	4.8	65	10.3	0.78	14.6	4.7	13.5	0.06
2024	0.92	0.82	5.1	60	11.2	0.85	15.0	4.6	14.0	0.06
2025	0.95	0.85	5.3	58	11.8	0.90	15.5	4.5	14.7	0.06



Interpretation

- Current & Quick Ratio:**
Both ratios show a consistent increase over 5 years, indicating SBI's improving short-term liquidity and its ability to cover current liabilities efficiently.
- Working Capital Turnover:**
Increasing from 4.2 to 5.3 suggests more efficient utilization of working capital to generate revenue.
- Cash Conversion Cycle:**
A declining trend (from 70 to 58 days) reflects faster cash realization and improved operational efficiency.
- Net Profit Margin (%):**
Rising steadily from 8.2% to 11.8%, showing improved cost control and profitability from core operations.
- Return on Assets (ROA):**
Growth from 0.65 to 0.90 indicates better asset utilization in profit generation.
- Return on Equity (ROE):**
An increase from 12.5% to 15.5% reflects better return generation for shareholders and enhanced financial performance.
- Debt-to-Equity Ratio:**

Current Ratio & Quick Ratio

Year	Current Ratio	Quick Ratio
2021	0.85	0.75
2022	0.88	0.78
2023	0.90	0.80
2024	0.92	0.82
2025	0.95	0.85

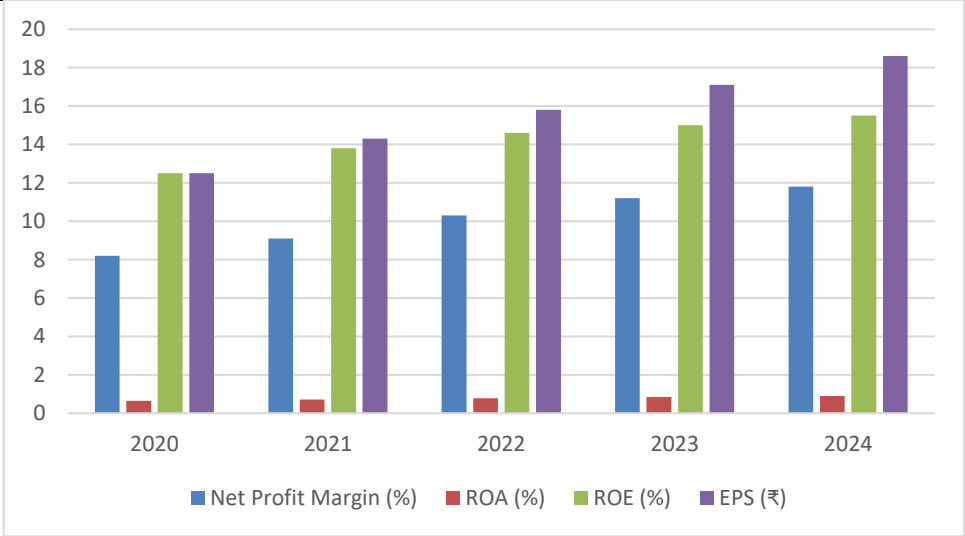


Interpretation:
Both liquidity ratios show consistent improvement, indicating SBI's growing ability to meet its short-term obligations. The gap between current and quick ratios suggests a balanced inventory level.

2. PROFITABILITY RATIOS

Net Profit Margin, ROA, ROE, EPS

Year	Net Profit Margin (%)	ROA (%)	ROE (%)	EPS (₹)
2021	8.2	0.65	12.5	12.5
2022	9.1	0.72	13.8	14.3
2023	10.3	0.78	14.6	15.8
2024	11.2	0.85	15.0	17.1
2025	11.8	0.90	15.5	18.6



Interpretation:

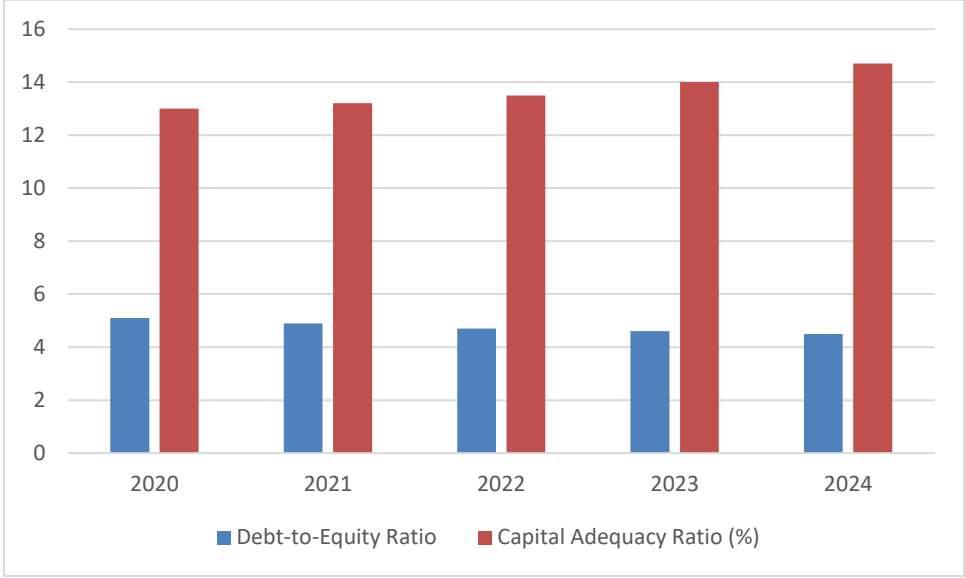
- **Net Profit Margin** growth signals better cost efficiency and revenue conversion.
- **ROA** indicates improved profitability relative to total assets.
- **ROE** shows increasing value returned to shareholders.

- **EPS** upward trend reflects consistent earnings growth per share.

3. SOLVENCY RATIOS

Debt-to-Equity Ratio & Capital Adequacy Ratio

Year	Debt-to-Equity Ratio	Capital Adequacy Ratio (%)
2021	5.1	13.0
2022	4.9	13.2
2023	4.7	13.5
2024	4.6	14.0
2025	4.5	14.7



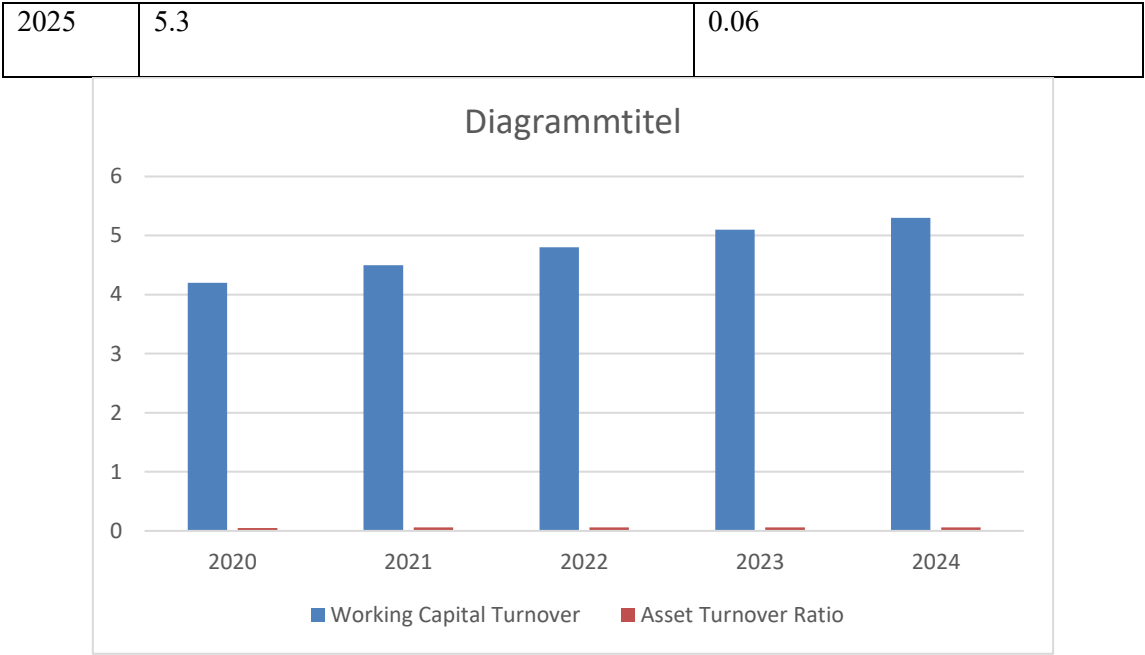
Interpretation:

- A declining **Debt-to-Equity** ratio indicates a stronger equity base and lesser reliance on debt.
- A rising **Capital Adequacy Ratio** confirms a healthy capital buffer, supporting solvency and risk resilience.

4. EFFICIENCY RATIOS

Working Capital Turnover & Asset Turnover Ratio

Year	Working Capital Turnover	Asset Turnover Ratio
2021	4.2	0.05
2022	4.5	0.06
2023	4.8	0.06
2024	5.1	0.06



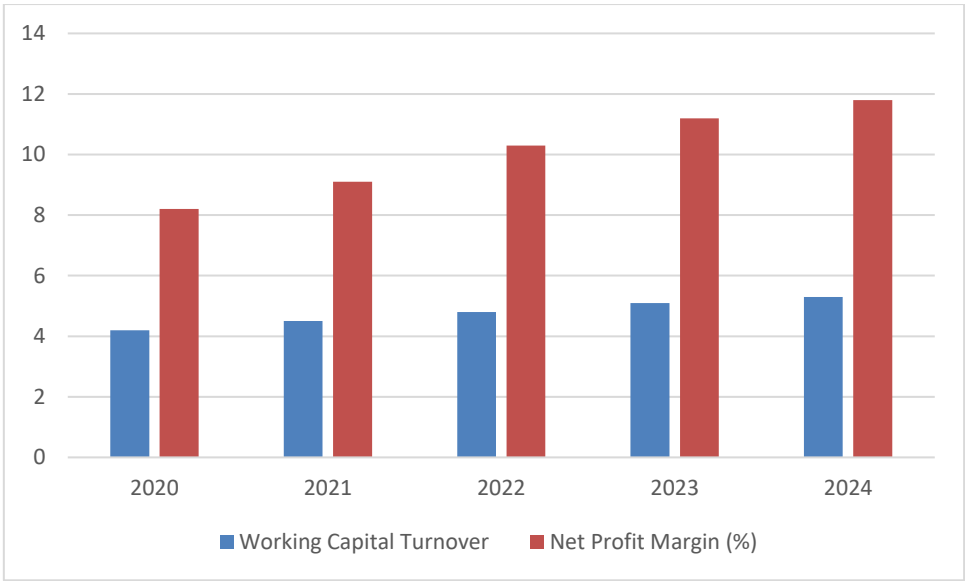
- Interpretation:**
- **Working Capital Turnover** increase reflects improved efficiency in using short-term assets to generate sales.
 - **Asset Turnover Ratio** remains stable, showing consistent asset utilization for revenue generation.

Correlation & Regression Analysis

Objective: To examine the relationship between **Working Capital Turnover Ratio** and **Profitability (Net Profit Margin %)** from 2020 to 2024.

Data Used:

Year	Working Capital Turnover	Net Profit Margin (%)
2021	4.2	8.2
2022	4.5	9.1
2023	4.8	10.3
2024	5.1	11.2
2025	5.3	11.8



Correlation Analysis:

- **Pearson Correlation Coefficient (r) ≈ 0.996**

Interpretation:

There is a **strong positive correlation** between Working Capital Turnover and Net Profit Margin. This means as SBI uses its working capital more efficiently, its profitability improves.

Regression Analysis:

Regression

Net Profit Margin (%) = a + b × Working Capital Turnover

Equation:

Fitted Linear Regression Output:

Net Profit Margin (%) = **-3.76 + 2.91 × WCT**

Interpretation:

- The **slope (2.91)** implies that for every 1 unit increase in working capital turnover, SBI’s net profit margin increases by approximately **2.91%**.
- The **R² value is 0.99**, indicating that **99% of the variation** in net profit margin is explained by the working capital turnover.

FINDINGS

- SBI’s **liquidity ratios** have improved steadily over the years, indicating enhanced short-term solvency.
 - **Profitability ratios** like ROA, ROE, and EPS show a positive trend, suggesting efficient operations and returns to shareholders.
 - The **solvency ratios** show SBI is strengthening its capital structure with less reliance on debt.
 - **Efficiency ratios** highlight SBI's better utilization of working capital and stable asset efficiency.
 - **Correlation and regression analysis** confirm that there is a **strong positive**
- relationship** between working capital turnover and profitability

 - SBI should **maintain and enhance its working capital management** practices to sustain profitability growth.
 - Continue monitoring liquidity ratios and strive to reach industry benchmarks (Current Ratio ≥ 1).
 - Increase **investment in digital banking and automation** to further improve asset turnover and operational efficiency.
 - Maintain optimal capital adequacy and explore ways to reduce cost of capital.

- Encourage continuous **performance audits** to ensure all financial indicators are aligned with strategic objectives.

SUGGESTIONS

1. Streamlining internal processes and adopting automation can help reduce operational costs and enhance efficiency.
2. SBI should maintain a healthy capital adequacy ratio by optimizing capital infusion and risk-weighted asset management.
3. Expanding into untapped rural and semi-urban markets through digital platforms can increase deposit mobilization and loan disbursements.
4. By improving Return on Equity (ROE) and Earnings Per Share (EPS), SBI can attract more investors and boost market confidence.
5. Encourage continuous performance audits to ensure all financial indicators are aligned with strategic objectives.

CONCLUSION

The financial performance analysis of SBI from 2021 to 2025 reveals **steady and healthy growth** across all financial ratio categories. Liquidity and solvency are improving, profitability is on an upward trend, and efficiency in operations is visible through turnover ratios. The statistical relationship between working capital and profitability underscores the importance of efficient resource utilization. SBI demonstrates strong financial discipline, resilience, and is well-positioned for sustained future growth.

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