FINANCIAL APPRAISAL OF STATE BANK OF INDIA

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Banking is a very important tool in the construction of economic structure of any country. Any business, whatever may be the nature, has to transact with bank at some time or the other. Without a sound and effective banking system it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India’s banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India’s growth process.

Bank provides wide range of financial services. The financial transactions have shifted from transactions in coins to introduction of credit cards and microchips. Today, Banking and Financial services have become the life blood, the veins and the arteries of the national as well as the international monetary system. In a developing country like India, bank also has social responsibilities like uplifting the weaker sections and financing the social projects. In addition to providing finance to industry and business, banking industry in India has been playing a pivotal role in rebuilding the Indian economy by extending its network to the backward and rural areas, financing agriculture, small industries, weaker sections of the society etc. Bank is both manufacturers and also the traders of the nation’s money and to monetary system.
Financial Appraisal:

“Financial Appraisal is a scientific evaluation of profitability and financial strength of any business concern”. According to accounting point of view, financial statements are prepared by a business enterprise at the end of every financial year. According to Howard and Upton, “Financial Statements are end products of financial accounting”. They are capsulized periodical reports of financial and operating data accumulated by a firm in its books of accounts—the general ledger. According to Kennedy and McMillan “Financial Statement Analysis attempts to unveil the meaning and significance of the items composed in Profit and Loss Account and Balance Sheet, so as to assist the management in the formation of sound operating Financial Policies”.

For proper interpretation of financial statement, users must have a basic understanding of the conceptual framework and principles underlying their preparation. Otherwise users will not recognize the limits of financial statements. The financial statements analysis facilitates a sufficient guideline about the behavior of financial variables for measuring the performance of different units in the industry; it also facilitates to indicate the current scenario of improvement in the organization.

➢ OBJECTIVE OF THE STUDY:

The researcher’s main objects of the study are the working of State Bank of India particularly the financial efficiency over the period taken in study. The main objectives of the study are –
To examine the effectiveness of various activities which are undertaken by SBI,

To study & analyze the various items of income & expenditure of SBI,

To study & analyze the position of deposit mobilization & lending policies of SBI regarding advancing of loans,

To study & analyze the position of human resources and their & productivity of SBI,

To analyze & evaluate the causes responsible for poor profitability and poor recovery of loans,

To make broad suggestions to improve the working and efficiency of SBI.

**HYPOTHESIS :**

The main hypotheses on which the proposed study will be based are as follows –

- The level of the business activity of the commercial bank and its financial performance are subject to the general economic conditions in the country,
- There are two major types of risks that commercial banks is exposed to in the course of its financial operations, viz. credit risk & market risk,
- Condition of capital market and money market has a direct bearing on the financial performance in a commercial bank,
- The bank administration has to take decision regarding financial performance within the parameters of government directives,
• Like other public sector banks financial performance of SBI requires improvement.

➢ RESEARCH METHODOLOGY:
The proposed study is based mainly on the published information available in the various issues of annual reports of State Bank of India & RBI Bulletin i.e. secondary data. Various published books, authentic journals, newspapers, reports and studies is also be used on the points of conceptual framework and statistical base. Although primary data is also be used to make the study meaningful. The researcher is sure that the conclusion drawn will give a true and fair picture of the working and financial performance of State Bank of India.

In the matter of carrying out research on the working of any financial institution the availability of purposeful data is of immense value. In this study the data for ten years beginning from 2003-04 is used. It will be the effort of the researcher to make out standardized result oriented and pin-pointed study of the working of State Bank of India. In this study the statistical techniques like simple tabular analysis, percentage and diagrams are used to quantify the study more scientific & meaningful.

➢ LIMITATIONS:
The State Bank of India is one of the largest banks of India with regard to capital, branches, deposits, investments and customers in all over India as well as abroad. Therefore the researcher, with the limitations of time and resources, has
used secondary data and random sampling of a small segment of stakeholders of the bank.

**Plan of the Study:**

The research study has been developed in the following chapters –

- **Chapter 1**  Introduction
- **Chapter 2**  Review of literature
- **Chapter 3**  Deposit Mobilization & Lending Policies of State Bank of India
- **Chapter 4**  Investment Pattern of State Bank of India
- **Chapter 5**  Profitability Aspects of State Bank of India
- **Chapter 6**  Challenges and Issues Ahead
- **Chapter 7**  Findings and Suggestions

1. **Introduction**

Banking is the king pin of the chariot of economic progress. As such its role extending economy of a country like India can neither be underestimated nor overlooked. The success of Indian planning depends on Reserve Bank of India and Central Government of India and enforced a number of schemes to develop banking and banking habits in the country especially in the rural and semi-rural, remote and under developing area.
The origin of State Bank of India goes back to the first decade of the 19th century with the establishment of The Bank of Calcutta in Calcutta on 2nd June 1806. Three years later the bank received its charter and was redesigned as the Bank of Bengal on 2nd January 1809. The Bank of Bombay on 15th April 1840 and The Bank of Madras on 1st July 1843 followed the Bank of Bengal. These three banks were governed by Royal Charter, which were revised from time to time. The Presidency Bank of Bengal, Bombay and Madras with their 70 branches were merged on 27th January 1921 to form The Imperial Bank of India.

In order, to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1st July 1955.

2. Review of literature

This chapter aims at providing a detailed review of the theoretical framework of financial aspects of different writers, researchers, economists etc. There is neither a single comprehensive study nor any attempt has been made to analyze all the contents of State Bank of India. That is why this researcher takes the topic as “Financial Appraisal of State Bank of India” because there is hardly any study on this topic.
3. Deposit Mobilization & Lending Policies of State Bank of India

This chapter has been arranged broadly in to the following –

Introduction, Composition and Classification of Bank Deposits, Deposits as key liquidity Indicator, Determinants of deposit growth, Perspectives of Deposits Mobilization, Relationship between Deposit Mobilization & Investment, Trends and Productivity of Deposits & Advances, Problems of Deposit Mobilization, Role of Bank Deposits in Economic Development, Lending of Money, Principles of Bank Lending, Problems of Lending and Role of Bank Advances in Economic Development. Some of the findings are described in brief as under –

Bank deposits are the hearts of the banking industry as they are the raw material with which the bank functions. Deposits constitute a major source of funds for financing economic development and growth. Bank mobilizes deposits as their primary source of funds. Deposit mobilization is the first and foremost function of any bank. Deposits are the mainstay of bank funds. Deposit means a credit to an individual or to a firm. Deposit mobilization is a continuous function for a bank to ensure the sum total of deposits at any time adequate to maintain the current level of lending and investments especially to compensate the withdrawals made by depositors.

Factors that determine the growth of deposits may be broken down structurally into two parts viz. **supply-side** and **demand-side** components.
Investment and capital growth in the country are dependent on the ability of the financial intermediaries to mobilize deposits from saver and prudently lending them to firms and individual borrowers. This section examines the relationship between deposits, investment and capital growth. One of the arguments in favor of capital account liberalization is widening the scope within which bank can mobilize more resources for investment.

**Role of Bank Deposits & Advances in Economic Development** - Economic growth of any country depends on the savings and investment made by its people. This growth is reflected through rise in per capita income. Economic growth is associated with so many factors like technology, socio-cultural factors, psychological factors and attitudes of the people. Economic growth implies a long term rise in per capita national output and whatever the pattern of growth, the basic conditions determining the rate of growth are three, viz., Effort, Capital and Knowledge.

The strength of the banking system primarily depends upon the soundness of the advances. The advances constitute the backbone of the banking system. Bank lending is very much important to the economy as it makes possible financing in different productive activities of the economy of the country. Advances also play an important role in the gross earnings and net profits of the bank and also in promoting economic development of a country since there can be no development in the absence of finance.

Deposits in SBI registered an upward trend during the study period. It was ₹318619 crore in the base year 2003-04 which rose to ₹367048 crore in 2004-05.
to ₹ 380046 crore in 2005-06, to ₹ 435521 crore in 2006-07 to ₹ 537404 crore, in 2007-08, to ₹ 742073 crore in 2008-09, to ₹ 804116 crore in 2009-10, ₹ 933933 crore in 2010-11 and to ₹ 1043647 crore in 2011-12. It reached to the highest point of ₹ 1202739 crore at the end of the study period, 2012-13. It shows that it has increased at considerably high rate during the study period and registered 2.77 times growth over the base year.

Deposits per employee of SBI were worked out to ₹ 1.54 crore for the base year 2003-04, which rose to ₹ 1.79 crore in 2004-05. It continued moving up during the study period and reached to ₹ 5.27 crore at the end of the year 2012-13. It jumped to ₹ 2.99 crore in 2007-08. From 2006-07 it started gaining the position of more than ₹ 2 crore. It reached to ₹ 3.60 crore and to ₹ 4.01 crore in the years 2008-09 and 2009-10 respectively. It reached to ₹ 4.19 crore in 2010-11, to ₹ 4.84 crore in 2011-12 and to ₹ 5.27 crore in 2012-13. It reached to the highest point of ₹ 5.27 crore at the end of the study period, 2012-13. Aggregate of deposits per employee was worked out to ₹ 32.45 crore, which indicates that SBI collected on an average ₹ 3.245 crore deposits per employee during the study period.

Deposits per branch of SBI registered an upward movement during the study period. It was worked out to ₹ 35.04 crore for the base year 2003-04 which reached to ₹ 80.17 crore at the end of the study period, 2012-13. It is the highest deposits per branch among deposits per branch under study. Average of deposits per branch was worked out to ₹ 56.47 crore for the study period.

Advances of SBI registered an upward movement during the study period. It was ₹ 157934 crore in the base year which rose to ₹ 202374 crore in 2004-05,
₹261642 crore in 2005-06, ₹337337 crore in 2006-07, ₹416768 crore in 2007-08, ₹542503 crore in 2008-09, ₹631914 crore in 2009-10, ₹756719 crore in 2010-11, ₹867579 crore in 2011-12 and reached to the peak point of ₹1045616 crore at the end of the study period, 2012-13. Index on the base year was worked out to 562.06 percent at the end of the study period, 2012-13, which indicates that advances of SBI increased by 5.62 times over its base year.

Advances per employee of SBI were ₹0.76 crore for the base year 2003-04. It showed upward movement during the study period. It reached to ₹0.98 crore, ₹1.32 crore, ₹1.78 crore, ₹2.33 crore and ₹2.63 crore in the years 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively. It reached to ₹3.15 crore in 2009-10 to ₹3.39 crore in 2010-11, to ₹4.03 crore in 2011-12 and reached at the peak point of ₹4.58 crore at the end of the study period, 2012-13. Aggregate of it was worked out to ₹24.95 crore which indicates that SBI advances on an average ₹2.495 crore during the study period.

Advances per branch of SBI were ₹17.36 crore for the base year, 2003-04, which registered upward movement during the study period i.e. 2003-04 to 2012-13. It reached to ₹22.10 crore in 2004-05, ₹28.29 crore in 2005-06, ₹36.22 crore in 2006-07, ₹40.58 crore in 2007-08, ₹47.01 crore in 2008-09, ₹50.00 crore in 2009-10, ₹55.24 crore in 2010-11, ₹60.80 crore in 2011-12 and reached to the peak point of ₹69.70 crore at the end of the study period, 2012-13. Average of the ratio was worked out to ₹42.73 crore for the study period, which indicates that the bank made advances of ₹427.3 crore aggregately for the study period.
4. Investment Pattern of State Bank of India

This chapter has been classified in the following manner -

Introduction, Financial and Economic meaning of Investment, Objectives of Investment, Importance of Investment, Investment Policy of Bank, Impact of capital market & money market on investment policy of bank, Principles of Investment Policy of Bank, Success in Investment, Investment Pattern, The Investment Process-Stages in Investment, The Investment Pattern of SBI, Credit deployed by SCB&SBI, Investment made by SCB&SBI, Credit-Deposit Ratio & Investment-Deposit Ratio of SCB&SBI. Some of the findings are described in brief as under –

If deposit mobilization is priority as well as number one function and aim of every bank, no less important is its investment pattern. After holding up funds in its stock and abiding by the periodically fixed levels under CRR and SLR, every bank is unsparingly and unexceptionally required its residual funds in ventures that need such investment. Investment is the employment of funds with the aim of achieving additional income or growth in value.

The main objectives of investment portfolio are:-

a) To provide a steady income;
b) To ensure recovery of the principal amounts and interest thereon;
c) To maximize return on investment;
d) To obtain modern capital gains;
e) To aid the process of economic development.
Investment is the sacrifice of certain present value for the uncertain future reward. The principles underlie the investment policies of the SBI areas under:

1. Liquidity
2. Profitability
3. Diversity
4. Safety or Security
5. Salability of Securities
6. Stability in the Value of Investments
7. Principles of Tax-Exemption of Investments

To maintain the liquidity at all the time in the bank, RBI changes the CRR from time to time. The main reason to maintain the CRR is to keep a bank liquid at any point of time. From the period 2003-04 to 2012-13 it is changed by RBI several times. In the base year i.e. 2003-04 the minimum CRR rate was 4.5 % and the maximum rate was also the same. In the year 2004-05 it was 4.75 to 5.00, while in the immediate next year there was no change in CRR.

In the year 2007-08, RBI changed the CRR many times like 5.50, 5.75, 6.00, 6.25, 6.50, 7.00 & 7.50 %. The minimum rate of CRR was 5.50 %& the maximum rate was 7.50 %. Similarly in the year 2008-09 it was 7.75, 8.00, 8.25, 8.50, 8.75, 9.00, 7.50, 6.50, 6.00 and 5.50 %. In this year the minimum rate of CRR was 5.50 % and the maximum rate of CRR was 9.00 %.

Statutory Liquidity Ratio (SLR) is the ratio up to which the bank has to hold a specific portion of their deposits in the form of government and other approved securities. Prior to the year 2008-09 the SLR was changed in the year 1997-98 on 25 October 1997. In the year 2008-09 it was 24 % and in the year 2009-10 it increased to 25 %. There was no change in SLR in the year 2010-11, while in the year 2011-12 and 2012-13 it was 23 % and 22.5 % respectively.
The investment pattern includes:

1. Investment in central & state government securities,
2. Investment in securities approved by the Indian Trust Act, 1882,
3. Shares, bonds & debentures of Indian joint stock companies,
4. Fixed Deposits with the banks,
5. Domestic Securities,
6. Foreign Securities.

The investment process is generally described in four stages. These stages are as follows:-

- Investment policy
- Investment analysis
- Valuation of investments
- Portfolio construction

The Indian Scheduled Commercial Banks has been successful in performing the credit creation function. It shows an upward movement during whole of the study period, although if we look at the percentage change over the previous year than there is a declining trend during the study period. On the other hand the credit deployed by State Bank of India has a fluctuating trend in terms of percentages during whole of the study period. In 2004-05 it was 28.14 %, next year it increase to 29.28 % than it decreases in 2006-07 & 2007-08.

The Scheduled Commercial Banks has been quite successful as far as investment is concerned. During the period under reference, the bank has been
able to mark a rising trend in investment. It shows an upward movement during the study period, except in the financial year 2005-06. But if we talk about the State Bank of India, there is a mode of depression with regard to investment made by the bank. In whole of the study period it reflects the fluctuating trend. In the year 2005-06 & 2006-07 it shows a negative trend with a growth of -17.53 & -8.24 % respectively. In 2007-08 & 2008-09 it converts itself from negative to positive with a growth rate of 27.05 & 45.62 % but after that it shows a very slow growth rate. Hence we can say that SBI is unsuccessful as far as investment is concerned.

It is clear that Scheduled Commercial Bank & State Bank of India both have been successful in performing the credit creation function against their deposits. It shows an upward movement during whole of the study period. It ranges between 55.9 to 81.48 % in case of SCB and 49.57 to 86.94 % in case of SBI.

But if we talk about the investment – deposit ratio of SCB as well as SBI than it shows a fluctuating trend in whole of the study period. In the first year i.e. 2003-04 the investment-deposit ratio of SBI is 58.27 % and comes down to 29.17 % at the end of the study period. Similarly in case of SCB it was 45 % in 2003-04, 47.3 % in the next year and falls down up to 34.6 % in the year 2011-12. So we can say that with regard to investment-deposit ratio SCB & SBI are not successful.

On the basis of the running average of last nine years, credit deployed by the SCB & SBI shows that the State Bank of India has deployed much credit in comparison to Scheduled Commercial Bank (23.49 % > 21.81 %) on the other
hand investment made by the SCB & SBI shows that the SBI has less investment in comparison to Scheduled Commercial Bank (17.68 % < 8.67 %).

5. Profitability Aspects of State Bank of India

Chapter 5 can be discussed with the help of the following terms – Introduction, Concept: ‘Profit’ and ‘Profitability’, Profitability and Efficiency, Bank Performance Indicators, Determinants of Bank Performance, Exposure of Credit Risk & Market Risk, Techniques to Measure Profitability. These terms are described in brief as follows –

Profitability has been considered as one of the important objective / motto of any commercial activity. The justification for the survival of a business is profit and profit earning capacity in future. The principle motivating force behind undertaking a business is profit. Profit is a signal for the allocation of resources and a yardstick for judging managerial efficiency. No business can survive without earning profit.

To measure the profitability of bank there are variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones.

Risk is all pervasive and is prevalent in every activity, be it a manufacturing or trading or service related. Banking Industry, primarily dealing with financial services can be no exception and thus encounters with many related Risks. It is imperative that Bank have to identify and measure various Risks faced by them and initiate suitable remedial measures to mitigate them.
Measurement of profit is essential for taking various policy level decisions under different circumstances. The following are the major techniques which have used to measure profitability:

To chalk out the trends in the profits and profitability of the bank under study, the following indicators have been selected:

(i) **Income** - Income of SBI was ₹ 38073 crore at the end of the base year 2003-04, which showed an upward trend during the study period and reached to ₹ 135692 crore at the end of the study period 2012-13. Index on the base year revealed the fact that the income of the bank was about 3.56 times at the end of the study period. It showed favorable position of the bank. It revealed the fact that the bank might have expanded network, launched new service products, which attracted clients. In short, overall income performance improved during the study period.

Percentage increase over previous year showed fluctuating trend during the study period. It ranged between 3.87 % in 2003-04 to 32.67 % in 2008-09. It was 1.91 % in 2006-07 and hiked to 30.99 % in the next year only but then onward in the subsequent years of the study period, it slowed down the growth of income.

(ii) **Expenditure** - The Total Expenditure of State Bank of India was ₹ 34392 crore for the base year. It remarked an upward movement during whole of the study period and came to ₹ 121587 crore at the
end of the study period 2012-13. It had compounded its total expenditure by about 3.54 times over the base year.

In 2004-05, it increased by 7.56 percent compared to the previous year, 2003-04. It increased in 2007-08, by 29.01 percent, in 2008-09 by 32.29 percent. In 2009-10 it comes down to 14.01 percent, again in 2010-11 it increases to 15.83 percent and in 2011-12 by 22.72 percent compared to their respective previous years. Percentage increase over previous year slowed down in the subsequent years, it increased by 3.28 percent in 2008-09, by 6.89 percent in 2011-12. It reflects total expenditure of SBI overall increased but there was a high fluctuation in total expenditure incurred by SBI during the study period.

(iii) **Spread** - Spread of SBI was ₹ 11186 crore in 2003-04. It showed upward movement during the study period and reached to ₹ 44330 crore at the end of the study period, 2012-13. It increased by 24.66 percent in 2004-05 compared to its previous year 2003-04. It increased by 12.13 percent, in 2005-06 by 13.04 percent in 2007-08, by 22.63 percent in 2008-09, by 13.41 percent in 2009-10, by 37.40 percent in 2010-11, by 33.10 percent in 2011-12 and by 2.40 percent in 2012-13 as compared to their respective previous years.

(iv) **Burden** - Burden of SBI was ₹ 7506 crore in the year 203-04, which increased in the subsequent years and reached to ₹ 30225 crore at the end of the study period. It increased by 28.43 % in 2004-05, by 16.48 % in 2005-06, by (6.34) % in 2006-07, by (2.14) % in 2007-08, by
14.19% in 2008-09, by 23.43% in 2009-10, by 67.25% in 2010-11, by 30.19% in 2011-12 and by (4.31)% in 2012-13 in comparison to their respective previous years. In the year 2006-07, 2007-08 and in 2012-13 it show downward trend. It decreased by (2.14)% in 2007-08 as compared to its previous year 2006-07.

(v) **Net profit** - Net profit of SBI was ₹3681 crore in the base year 2003-04, it show an upward movement during whole of the study period from 2003-04 to 2010-11 and from 2011-12 to the end of the study period. Its net profit increased by 16.95 percent, by 2.37 percent by, 3.04 percent, by 48.18 percent, by 35.55 percent, by 0.49 percent by, 41.65 percent and by 20.48 percent in 2004-05, in 2005-06, in 2006-07, in 2007-08, in 2008-09, in 2009-10, in 2011-12 and in 2012-13 respectively in comparison to their respective previous years. While it decreased by 9.83 percent in 2010-11 compared to their respective previous years.

(vi) **Profitability** - profitability of SBI was 2.50 percent in the base year 2003-04 which registered highly fluctuating trend during the study period. It reached to the peak point of 2.61 percent in 2004-05 during the study period. It came to 2.27 percent at the end of the study period, 2005-06.

(vii) The average % of Gross NPA to Advances was 4.27% which shows a higher rate of NPA (3.38%) in comparison to SCBs of India.
The Gross NPA & Net NPA of SBI shows a growth of 4.04 times and 4.03 times respectively over the base year.

6. Findings and Suggestions

Indian banking sector has a long journey of growth since 1955, started with the nationalization of the State Bank of India. The first nationalization phase was in 1969, and the second phase in 1980, it lead to rapid expansion of bank branches all over India. Deposit mobilization and priority sector lending in highly protected environment with extremely regulated framework adversely affected the financial resource mobilization and allocation by the bank. The reforms again needed in this industry. In 1991, The Narsimham Committee report gave a new dimension to Indian Banking sector. The private banks and foreign banks have entered in the market. So, now, there is a global competition in the banking industry in India. As an effect of liberalization, privatization and globalization policy, there have not only been rapid expansion in the number of banking institutions in the country, but the banking horizon of the country has also changed significantly. The foreign banks, which accounted for only 32% of the total number of banks in the country in 1991, grew up to 42% by 2001. Besides to that, the bank was also given time to meet the prudential and capital adequacy norms as well as norms to manage Non-Performing Assets. So, the bank is now working on the concept of universal banking and service oriented banking.
FINDINGS: The major findings are as under –

- One big problem is that more than 60% of the population lives in the rural areas in isolated villages. It therefore become cost ineffective to have bank branches there.

- Customers require literacy to utilize banking services which majority of the population especially the rural inhabitants do not have.

- The SBI has not fully regained the confidence that many customers lost; thus making deposit attraction difficult. This could be due to partly the attitude of bank staff towards customers.

- Problem against deposit mobilization is the unfavorable macro-economic environment with high inflation and reserve requirement and their associated low returns on deposits.

- The next aspect was taken by the researcher was Net NPA to Net advances, which was a solid problem for the bank. NPA of SBI is quite high, however, showed decreasing trend during the period of study.

- CRR is another big problem for the bank. The firms operating in the economy needs money for expansion and for various purposes. If interest rates are high due to increase in CRR, the firms may not get money from the bank. Due to this, growth of the economy slows down.

- The Gross NPA & Net NPA of SBI shows a growth of 4.04 times and 4.03 times respectively over the base year.

- The average % of Gross NPA to Advances was 4.27 % (SBI) which shows a higher rate of NPA in comparison to SCB (3.38 %) of India.
• On the basis of the running average of last nine years, credit deployed by the SCB & SBI shows that the State Bank of India has deployed much credit in comparison to Scheduled Commercial Bank (23.49 % > 21.81 %) on the other hand investment made by the SCB & SBI shows that the SBI has less investment in comparison to Scheduled Commercial Bank (17.68 % < 8.67 %).

• State Bank is likely to benefit most due to high interest rates. The Net Interest Margins (It is the difference between the interest they earn on the money they lend and the interest they pay to the depositors) for bank is likely to increase leading to growth in profits & the stock prices.

• The operational efficiency was significantly differing in this analysis; basic three ratios i.e. spread as % to Working Fund, Net Profit as % to Working Fund have been calculated. Net income as % to Average Working Funds in SBI is fluctuating. The ratio indicates the weak performance of State Bank of India. In the base year it was 0.90 %, in 2006-07 it comes down to 0.72 %, in next year it was 1.01 %, in 2011-12 it was 0.71 % and in the last year it was 0.91 %.

• The productivity & efficiency of SBI had been reduced due to hike in wages and increasing operational cost in bank. Interest spread of bank was also under pressure due to administered rates imposed on the banking system.

• The bank operated within the administered interest rate structure and lacked flexibility. There was no element of competition within the bank.
This had a deleterious impact on bank’s management capabilities and innovativeness, both in areas of deposits and advances. The rigidity of banking system paved the way for a gradual uprising of external competition from other agencies like post office, UTI, LIC, chit funds, equity market, real estate market and new instruments like CDs, CPs, etc.

- Income Index on the base year revealed the fact that the income of the bank was about 3.56 times at the end of the study period. It showed favorable position of the bank, but he internal strength of SBI with regard to efficiency, productivity, NPA and profitability has decline resulted in deteriorating the financial health of the bank.

- The Total Expenditure of State Bank of India was ₹ 34392 crore for the base year. It remarked an upward movement during whole of the study period and came to ₹ 121587 crore at the end of the study period 2012-13. It had compounded its total expenditure by about 3.54 times over the base year. It is an alarm to the financial health of the bank.

- Spread is nothing but surplus of interest income over interest expenses. Spread of SBI was ₹ 11186 crore in 2003-04. It showed upward movement during the study period.

- Excess of non-interest expenditure over non-interest income of a bank is known as burden. Burden of SBI was ₹ 7506 crore in the year 203-04, which increased in the subsequent years 4.02 times and reached to ₹ 30225 crore at the end of the study period.
- Profitability of State Bank of India shows fluctuating trend during whole of the study period. In the base year it was 2.50 %, in 2006-07 it comes down to 0.72 %, in next year it was 1.01 % and in 2012-13 it was 0.88 %
- While there has been explosion in the number of transactions, the work technology in bank has not changed. Whereas aspirations and expectations of the people from the banking system have increased, customer service has been affected adversely.
- The rapid expansion of bank branches and spectacular increase in banking operations unaccompanied by proper training of staff and adoption of modern techniques of banking resulted in deteriorating customer services.
- The expansion of staff and accelerated promotions had diluted the quality of man power.
- Only 32.67 % of the customers show their satisfaction with regard to the position and amenities of the State Bank.
- Only 19 % of the customers are highly satisfied with the product and services provided by the bank.
- With reference to the methods and process adopted by the bank in all 55.33 % customers are satisfied out of which 20.5 % are highly satisfied & 34.83 % are satisfied.
- If we talk about the Human Resource Management of the bank, than it can be concluded that overall condition is neither good nor bad, but moderate and can be improved. Overall 21.5 % of the customers are fully satisfied.
While playing the crucial developmental role for the economy, the SBI did not pay enough attention to its own development in terms of new management practices, new systems and procedures, induction of modern technology and human resource development.

The quality of credit portfolio of SBI has suffered due to deficiencies in identification of borrowers, very low alternation given to market prospects and capacity of borrowers. It has adversely affected the viability of the bank.

The competitive efficiency of bank deteriorated with wider coverage lines of supervision and control lengthened.

There was lax attitude of bank towards profitability under the presumptions that any problem with the banks’ bottom line would be automatically taken care of by the Government of India.

SUGGESTIONS:

By referring the above findings, there are some suggestions by the researcher for better performance of the bank. These suggestions are as under:

1. **Tackling Non Performing Assets (NPAs)**—The following are the suggestions –
   a. Building an effective credit appraisal system within the Bank and bringing professionalism in appraisal.
   b. Building a sound and reliable information base through networking.
   c. Setting NPA management as the organizational goal.
2. Deposit Mobilization – The following are the measures –
   Reduce the minimum balance requirement
   Awarding those with higher balances (i.e. raffle promotion)
   High quality client service
   Reduce administrative cost through ‘saving boxes’
   Integrated advice for investments and deposits

3. Improvement in Lending – The following are the measures –
   (a) Cutting Interest Rates
   (b) Quantitative Easing
   (c) Funding for Lending Scheme (FLS)
   (d) National Loan Guarantee Scheme
   (e) Forward Guidance

4. Innovation - Innovation with technology can add to a Bank’s competitive edge in rendering services to its clients.

5. Impart Bank Autonomy - SBI management should be given autonomy and flexibility, subject only to broad guidelines regarding all these matters.

6. Profit Maximization - Profitability can be increased to a greater extent by improvement in utilization of manpower and increase in ancillary earning.

7. Technology Up gradation - In the deregulated environment, technology will be the key to reducing transaction costs, offering customized products and managing risks.

8. Tackling the Risks - To manage market risk, SBI should deploy a number of highly sophisticated mathematical and statistical techniques.
9. **Improving the Spread** - It is necessary to reduce cost to the maximum extent possible to ensure that the SBI is able to maintain a decent spread.

10. **Retaining Customer Loyalty** - It is cheaper to retain an existing customer than to get a new one.

11. **Reorganization of Banking Structure** - There is a need for structural change in the organizational system of State Bank with a view to make it more efficient and less wasteful.

12. **Infrastructure** - It is imperative that for any reform to succeed, it is fundamental that utilization of this infrastructure is strengthened and so also the man power deployed in it.

13. **Encouraging Competition** - In an increasing competitive environment, bank cannot continue to operate as monolith. In fact, a break-up of this monolith is not only inevitable but highly desirable.

14. **Privatizing Banks** - In India, the empirical case for privatization is especially strong as it is clear that public ownership has virtually paralyzed the management efficiency of State Bank due to political and administrative interference.