SWOT Analysis of State Bank of India

State Bank of India (SBI) is the largest commercial bank in India in terms of assets, profits, deposits, number of branches and employees. The slogans of SBI “With you all the way” has been realized by researcher doing his 17 years experience while working as Specialist Office in Information Technology Services Department at Local Head Office Chandigarh. Researcher got an uphill challenge to network branches situated in the difficult terrain of Kinnaur, Lahaul Spiti, Leh Ladakh and interior areas of Kashmir to extend world class banking products like anywhere/core banking internet banking ATMs. Etc. Researcher feel proud having brought this glory to bank and all these branches are now operating at par with other branches of country and catering to world class banking to its valuable customers. Some of the branches like SBI Drass, SBI Kargil and SBI Kaza are operating even at minus 40°C temperature.

State Bank of India was founded on 1806 at Calcutta as Bank of Calcutta. The bank has a network of 17000 branches including 4607 branches of its five associate banks dominates the banking industry in India. The bank has almost 21000 ATMs and a total workforce of 221000. Also the bank has more than 82 offices in overseas which are spread across more than 32 countries. The bank became the banker to all class of people and it has Indian’s cultural and ethical values.

State Bank of India has seven associate banks and State Bank of Saurashtra and Indore merged into SBI on August 2008 and now the bank has five associate banks. They are:

1. State Bank of Bikaner and Jaipur
2. State Bank of Hyderabad
3. State Bank of Mysore
4. State Bank of Patiala
5. State Bank of Travancore

In addition to banking operations, SBI has established the following subsidiaries such as; SBI Capital Markets Ltd, SBI Mutual Fund (A Trust), SBI Factors and Commercial Services Ltd, SBI DFHI Ltd, SBI Cards and Payment Services Pvt Ltd,
SBI Life Insurance Co. Ltd – Bancassurance (Life Insurance), SBI Funds Management Pvt Ltd, SBI Canada, etc.

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SWOT analysis is the powerful tool used to analysis strength, weaknesses, opportunities, and threats of the bank. Before doing SWOT analysis, one of the crucial factor need to be explored, in case of SBI is the size of bank. In some cases the size seems to be the strongest strength and contrary in some cases it appears to become a weakness. The following are the SWOT analysis of State Bank of India.

Strengths

- SBI is the largest bank in India in terms of market share, revenue and assets.
- SBI enjoys a brand name in market and has reach to every corner of country.
- As per recent data, the bank has more than 17,000 outlets and 25,000 ATM centers.
- The bank has its presence in 32 countries engaging currency trade all over the world
- The bank has a merged with State Bank of Saurashtra, State bank of Indore and the bank is planning to go further acquisition in the current FY2012.
- SBI has the first mover advantage in commercial banking service
- SBI has recently changed its vision and mission statements showing a sign of inclination towards new age banking services

Weakness

- Lack of proper technology driven services when compared to private banks.
- Employees show reluctance to solve issues quickly due to higher job security and customers’ waiting period is long when compared to private banks.
- The banks spend a huge amount on its rented buildings.
- SBI has the largest number of employees in banking sector; hence the bank spends a considerable amount of its income in employee’s salary
compensation. This size is likely to increase with the proposed merger of associate banks.

- In spite of modernization, the bank still carries the perception of traditional bank to new age customers.
- SBI fails to attract salary accounts of corporate and many government sector employees salary accounts are also shifted to private bank for ease of operations unlike before.

**Opportunities**

- SBI’s merger with five more banks namely State Bank of Hyderabad, State bank of Patiala, State bank of Bikaber and Jaipur, State of bank of Travancore and State bank of Mysore are in approval stage.
- Mergers will result in expansion of market share to defend its number one position.
- SBI is planning to expand and invest in international operations due to good inflow of money from Asian Market
- Since the bank is yet to modernize few of its banking operations, there is a better scope of using advanced technologies and software to improve customer relations.
- Young and talented pool of graduates and B schools are in rise to open new horizon to so called “old government bank”

**Threats**

- Net profit of the year has decline from 9166.05 in the year FY 2010 to 7,370.35 in the year FY2011
- This shows the reduce in market share to its close competitor ICICI, Other private banks like HDFC, AXIS bank etc.
- FDIs allowed in banking sector is increased to 49%, this is a major threat to SBI as people tend to switch to foreign banks for better facilities and technologies in banking service
Other government banks like PNB, Andhra, Allahabad bank and Indian bank are showing better performance because of their small size, better managed.

Customer prefers to switch to private banks and financial service providers for loans and mortgages, as SBI involves stringent verification procedures and take long time for processing.

**Michael Porter’s Five Forces Analysis – State Bank of India**

Michael Porter’s Five Forces Analysis deals with the following forces:

1. The threat of new competitors entry
2. The intensity of competitive rivalry
3. The bargaining power of customers
4. The bargaining power of suppliers
5. The threat of substitute products

**The threat of entry of new competitors**: Global economy and financial situations are under crisis but the banking industry is under booming. This situation attracted many multinational companies into Indian banking industry. Even many domestic non-banking financial companies (NBFC) are also eagerly waiting to receive banking license from RBI. This situation is critical for existing banks including SBI and the competition will become high. SBI’s 200 plus years experience in the industry and reputation will help the bank to overcome these threats of new entrants.

**The intensity of competitive rivalry**: The main competitors of State Bank of India in India are Bank of India, ICICI Bank, and Union Bank of India. ICICI bank is the second largest private sector bank in India and has well reputation over the industry. Increase in the number of banks will increase the rivalry since all these banks compete for the same customers and resources. State Bank of India has to face a competitive rivalry from all these banks and thus to plan its activities accordingly.

**The bargaining power of customers**: Customers are very much attracted by the bank and bank’s core value is customer services and their satisfaction. But the same customer will come with arguments and comparison of other banks financial products in order to bargaining. The bank has to make satisfy such customers with its financial...
products and services since they are able to get same services from the competitors and switching costs from one bank to another is very low.

**The bargaining power of suppliers:** State Bank of India has suppliers who supply stationeries, computers and peripherals to the bank. The switching cost of one supplier to another is time consuming and costly process. The bank has to get support from cash filling agencies to fill its ATMs throughout the country. Since these things are very important to the bank suppliers are getting a bargaining power, especially considering the vast reach of SBI. As for cash replenishment at Drass or Kargil ATMs, bank is having tough time to arrange for a vendor.

**The threat of substitute products:** Indian banking industry is high growth and profitable position and thus many foreign banks are entered into the market. All of these banks have similar financial products and services and this will lead to get a choice to the customers. The main similar products offered by the banks are savings and current accounts, internet banking, debit card services, mobile banking, different kinds of loans and deposits, insurance services (life and general), and investment & trading services. Whenever a customer feels that the service offered by SBI is not satisfying their needs, they can easily go for substitute with a low switching cost.