

## A STUDY ON FINANCIAL PERFORMANCE OF STATE BANK OF INDIA WITH SPECIAL REFERENCE TO THOOTHUKUDI

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### **Abstract**

*In order to meet the banking needs of a large section of the society many branches have been established in towns, villages and other remote areas where financial and credit services are not available. The volume of operation and geographical spread of branches in India have increased manifold during the last four decades. The state bank of India money market, however, is characterized by the existences of both the unorganized and organized credit agencies. The moneylenders lend their surplus funds to the poor and earn the income by way of interest. Finance is the lifeblood of a business enterprise. It is one of the basic foundations of all kinds of economic activities.*

**Key words:** *Various Deposits Schemes, Financial resources, Deposit, Loans*

### **Introduction**

State bank of India is the largest state owned banking and financial service company in India. The bank traces to British in India through the imperial bank of India, to the founding in 1806 of the bank of Calcutta, making it the oldest commercial bank in Indian sub continent. Bank of madras merged into the other two presidency banks .Bank of Calcutta and bank of Bombay to form the imperial bank of India which turns in because state bank of India. The government of India nationalized the state bank of India in 1995 with the Reserve bank of India taking a 60 percent state and renamed it the state bank of India. In 2008, the government took over the state held by the Reserve bank of India. State bank of India provides a range of banking products through its vast network of branches in India and overseas including products aimed at non-resident in India (NRI).The state bank of group with over 16000 branches network in India. With an assets base of \$352 billion and 285 billion deposits .It is a regional banking. It has a market share among Indian commercial bank of about 20 percent in deposits and advances and state bank of India accounts for almost one -fifth of the nation's loan. The banking sector plays a crucial role in the economic development of a nation. A sound, efficient, effective, vibrant and innovative banking system stimulates economic growth by mobilizing savings on a massive scale and efficiently allocating resources for productive purposes and also for consumption which tool is a driver of growth.

The state bank of India banking sector has undergone many positive and significant transformation and development in the last one and a half decades. Notable changes in the

policies and regulations of policy makers that have helped strengthen the sector include prudential norms, payment system, implement core banking solution, corporate governance, risk management and the like. Banks are now required to their services and differentiate themselves through customer service excellence, intimacy and improved customer experience. Banks are establishing strategic business units such as corporate Accounts Groups, National Banking Group and international Banking Group, Attempts are being made both by public as well as by private sector banks to re-shape their structure and functioning. Any bank that wishes to either grow in the size of its business operations or improve its business operations or improve its profitability must consider the challenges affecting its customer relationships.

#### **Statement of the problem**

Banks as financial institutions form the major source of finance to the business organizations. As such, the economic development of the country depends to a greater extent on the development and the performance of the banking sector. The banking sector in the country has a rich tradition and the functions are regulated by the reserve bank of India and the government. The banks are still recently under the strict control of the reserve bank of India and only after the banking sector reforms the decontrol measurement are initiated. It is only in the recent years the new banks came into functioning. The arrival of the new banks and their way of functioning. As a result, the banks introduced several changes in their products, regular business, in their management and the like. All these changes are expected to bring positive changes in the performance of the banks. The performance of the bank largely depends on the deposit mobilization, lending operations, repayment performance and utilization of funds. The present study is an attempt to probe into the deposit mobilization and lending operations during the period of study. The empirical findings of the study will assist in banking certain policy decisions for the better performance of state bank of India. The present study aims at assessing the performance of one of the State bank of India.

#### **Objectives of the Study**

The objectives of the research study are as follow:

1. To analyze the various deposits schemes offered by the state bank of India.
2. To study the various lending schemes provided by the state bank of India and also the lending performance of the state bank of India.
3. To evaluated the financial resources of the state bank of India.
4. To offer suitable suggestion, findings and conclusion.

#### **Framework of Analysis**

The data have been analyzed by using the various statistical tools like, Trend analysis, and correlation. Percentage analysis has been used to analyze the deposit

mobilization, advance mobilization and fund mobilization of the State bank of India. Ratio analysis has been applied to assess the performance evaluation of the financial strength and profitability of the bank.

### Deposits

One of the main indicators to measure the performance of the bank is the growth of bank deposits are the major resource of the bank .Bank tap the saving of the public through saving deposits, current account, fixed deposits and recurring deposits .To understand the trend in the growth of deposits, the researcher has analysed the facts regarding the deposits and has presented the information in the following. Table No: 1

**Table 1: Growth of Deposits**

| Year      | Deposits   | Increase/Decrease | Percentage of Increase / Decrease |
|-----------|------------|-------------------|-----------------------------------|
| 2003-2004 | 318618.67  | -                 | 100                               |
| 2004-2005 | 367047.53  | 48428.86          | 115.19                            |
| 2005-2006 | 380046.06  | 12998.53          | 119.27                            |
| 2006-2007 | 435521.09  | 55475.03          | 136.69                            |
| 2007-2008 | 537403.94  | 101882.65         | 168.66                            |
| 2008-2009 | 742073.13  | 204669.19         | 232.90                            |
| 2009-2010 | 804116.23  | 62043.1           | 252.37                            |
| 2010-2011 | 933932.81  | 129816,58         | 293.11                            |
| 2011-2012 | 1043647.36 | 109714.55         | 327.55                            |

Source: Annual Report of state bank of India for 2003-2004 to 2011-2012

It is clear from the above table 1 shows that the total deposits have increased at 327.55percent in the year 2011-2012 and the total deposits are decreased in the year 2004-2005 at 115percent.

### Loan and Advances

Lending is one of the two principal functions of commercial banks. It is said so, not only because of their social obligations of catering to credit needs of different sections of the community but also for its profitability. The loan and advances granted by bank are broadly classified into secured loan, cash credit, overdraft, and purchase and discounting of bills and so on. The lending position of state bank of India has been analysed by researcher and results have been depicted in the following Table No.2

Table 2: Loan and Advances of State Bank of India

| Year      | Loan and Advances | Increase/Decrease | Percentage of Increase/Decrease |
|-----------|-------------------|-------------------|---------------------------------|
| 2003-2004 | 157933.54         | -                 | 100                             |
| 2004-2005 | 202374.45         | 44440.91          | 128.13                          |
| 2005-2006 | 261641.53         | 59267.08          | 165.66                          |
| 2006-2007 | 337336.49         | 75694.96          | 213.59                          |
| 2007-2008 | 416768.20         | 79431.71          | 263.88                          |
| 2008-2009 | 542503.20         | 125735            | 343.50                          |
| 2009-2010 | 631914.15         | 89410.95          | 400.11                          |
| 2010-2011 | 756719.45         | 124805.3          | 479.13                          |
| 2011-2012 | 867578.89         | 110859.44         | 549.33                          |

Source: Annual Report of state bank of India for 2003-2004 to 2011-2012

It is inferred from the above table 2 shows that the loan and advances of state bank of India which stood at 128.33 percent in the year 2004-2005 has steadily increase to 549.33 percent during the year 2011-2012.

#### Growth of Investment

Generally, commercial bank in India have invested major portion of their investible in domestic government securities comprising central and state government securities. State bank of India has invested its fund securities and other approved securities, share, debentures, commercial papers, mutual fund units and so on. The growth of investment for the past nine years is narrated in the following Table No 3

Table 3: Growth of Investment

| Year      | Investment | Increase/Decrease | Percentage of Increase/Decrease |
|-----------|------------|-------------------|---------------------------------|
| 2003-2004 | 185676.48  | -                 | 100                             |
| 2004-2005 | 197097.91  | 11421.43          | 106.15                          |
| 2005-2006 | 162534.24  | -34563.67         | 87.53                           |
| 2006-2007 | 149148.88  | -13385.36         | 80.32                           |
| 2007-2008 | 189501.27  | 40352.39          | 102.05                          |
| 2008-2009 | 275953.96  | 86452.69          | 148.62                          |
| 2009-2010 | 285790.07  | 9836.11           | 153.91                          |
| 2010-2011 | 295600.57  | 9810.5            | 159.20                          |
| 2011-2012 | 312197.61  | 16597.04          | 168.14                          |

Source: Annual Report of state bank of India for 2003-2004 to 2011-2012

It is derived from the above table 3 shows that increase in investment from 168.14 percent during the year 2011-2012. But raised to 80.32 percent during the year 2006-2007.

#### Trend Analysis for Investment

The investment of state bank of India is analysed by trend values and the value is predicted for the year 2012. The trend value of the investment has been estimated by linear trend equation. The formula for linear trend equation is:

$$Y_c = a + bx$$

$$a = \sum y / N$$

$$b = \sum xy / \sum x^2$$

Table 4: Trend Analysis

| Year      | Investment          | Deviation  | XY                   | X <sup>2</sup> | Y <sub>c</sub> =a+b(x) |
|-----------|---------------------|------------|----------------------|----------------|------------------------|
| 2003-2004 | 185676.48           | -4         | -742705.92           | 16             | 149839.49              |
| 2004-2005 | 197097.91           | -3         | -591293.73           | 9              | 169421.31              |
| 2005-2006 | 162534.24           | -2         | -325068.48           | 4              | 189003.13              |
| 2006-2007 | 149148.88           | -1         | -149148.88           | 1              | 208584.95              |
| 2007-2008 | 189501.27           | 0          | 0                    | 0              | 0                      |
| 2008-2009 | 275953.96           | 1          | 275953.96            | 1              | 247748.59              |
| 2009-2010 | 285790.07           | 2          | 571580.14            | 4              | 267330.41              |
| 2010-2011 | 295600.57           | 3          | 886801.71            | 9              | 286912.23              |
| 2011-2012 | 312197.61           | 4          | 1248790.44           | 16             | 306494.05s             |
| N=9       | $\sum Y=2053500.99$ | $\sum X=0$ | $\sum XY=1174909.24$ | $\sum X^2=60$  |                        |

$$Y_c = a + bx$$

$$a = \sum y / N$$

$$b = \sum xy / \sum x^2$$

$$a = 2053500.99 / 9$$

$$b = 1174909.24 / 60$$

$$a = 228166.77$$

$$b = 19581.82$$

For the year 2013 the trend value can be calculated as under study

$$X=5$$

$$a = 228166.77$$

$$b = 19581.82$$

$$\begin{aligned} Y_c &= a + b(x) \\ &= 228166.77 + 19581.82(5) \\ &= 228166.77 + 97909.1 \\ Y_c &= 326075.87 \end{aligned}$$

With the help of the equation the trend value for any year can be estimated by substituting the appropriate X value in the trend equation the Investment of the state bank of India in the future year 2013 will be Rs.326075.87.

### Findings

The deposits with the bank have increased at 327.55 percent in the year 2011-2012 and the total deposits are decreased in the year 2004-2005 at 115.19percent. The trend equation the total deposits of the state bank of India in the future year 2013 will be Rs.10976671. The investment in securities from the increase in investment to 168.14percent during the year 2011-2012. But raised to 80.32percent during the year 2006-2007. The appropriate x value in the trend equation the investment of the state bank of India in the future year 2013 will be Rs.326075.87. The loans and advances of the bank have huge increase to 549.33 percent during the year 2011-2012 and the decrease to 128.33 percent in the year 2004-2005. The trend equation the loans and advances of the state bank of India in the further year 2014 will be Rs. 1008596.12. The cash position of the bank has which stood at Rs. 88.28percent in the year 2004-2005 has steadily increased to 495.74 during the year 2010-2011. There is a high degree relationship between growth of investment and cash position is 0.77. The total assets of the bank has huge amount during the year 2009-2010 were 25.84percent. In the year 2010-2011 increase in assets position to Rs.300.07. Interest

expenses to the increase in 63.71percent in the year 2008-2009. So it is decreased in expenses was due to the 51.89percent in the year 2005-2006 .It can be conclude that there is a high degree relationship between growth of assets and interest expenses in 0.63. The operating expenses for the nine years of study in the year 2011-2012 was increased at high rate 34.40percent of total expenses and the financial year 2003 also increased at high rate of 38.40percent of total expenses .

### Suggestions

After analyzing the above said performance of state bank of India, the reserve has offered the following suggestion for the further improvement of the bank. The bank should set up branches in rural areas also to fuel the growth of backward areas and the business per branches should be increase. Investment in advances should be carefully dealt. The bank credit should be made available to neglected sector of economic activity and to the society also and should be cautions enough to recover the dues. Investment should be increased to improve the earning of the bank .The surplus funds should be employment in highly secured, profitable and easily marketable securities. Cash -deposit ratio should be improved since higher this ratio will help to meet the sudden demands from the customers. Since interest expenses are high, state bank of India concentrate on controlling the composition of deposits. To non -interest expenses should be controlled to achieved efficiency and improvement in the financial management.

### Conclusion

The researcher has concluded that performance of state bank of India. While make analysis researcher used various statistical tools like trend percentage, correlation analysis, and make inference to the above ratios. The performance of state bank of India was found to be satisfactory. If the above suggestions are implemented, it can grow further and can have achievement in the fields of customer service and can earn profit, will the oblige.

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