A Study on the Financial Performance of State Bank of India in the Post-Covid-19 Era with Special Reference to Digital Transformation

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ABSTRACT:
This study investigates the financial performance of the State Bank of India (SBI) during the post-COVID-19 era, with a specific focus on the role of digital transformation. As India's largest public sector bank, SBI has embraced technological advancements, including the YONO platform and AI-driven processes, to improve customer engagement, operational efficiency, and overall financial performance. Using a descriptive research design and secondary data from 2019 to 2024, key financial indicators such as credit-deposit ratio, earnings per share, and return on equity were analysed. The results demonstrate a steady improvement in profitability and operational metrics, alongside significant growth in digital transactions. The findings highlight SBI's resilience and adaptive strategies in navigating the challenges of the pandemic and its transition toward a digitally-driven banking model.

Keywords: Digital Transformation, State Bank Of India, Post Covid 19, Financial Performance.

INTRODUCTION:
The State Bank of India (SBI) holds a prominent position as one of India's largest financial institutions, providing a comprehensive range of financial products and services to individuals, businesses, and institutions. Given its significant role in the Indian banking sector and its broader impact on the national economy, SBI's financial performance has become a focal point of analysis and discussion among investors, policymakers, and researchers.
Digital transformation has become essential for traditional banks to remain competitive in an increasingly technology-driven environment. For the State Bank of India (SBI), India's largest public sector bank, digital initiatives like the YONO platform and AI-driven automation have introduced significant changes aimed at enhancing customer engagement, improving operational efficiency, and driving financial growth. While these digital efforts are promising, their full impact on SBI's overall performance remains underexplored. This research paper aims to analyse the impact of digitalization on overall financial performance over a specific period of time.
After the initial shock of COVID-19, SBI bounced back strong. At first, like many others, its stock took a hit, but as things began to stabilize, the bank quickly found its footing again. One of the biggest shifts was its focus on digital banking. With people relying more on online services, SBI ramped up its digital offerings, like the YONO app, making banking easier for millions of customers Financially. the bank

remained solid, keeping bad loans in check and reporting strong earnings. It was able to adapt to the challenges the pandemic threw at it, like rising interest rates, and continued to grow, especially in retail banking.

STATEMENT OF PROBLEM:

The SBI has implemented numerous digital initiatives to improve operational efficiency, enhance customer experience, and broaden its service offerings, it is crucial to assess the direct impact of these transformations on critical financial indicators, including profitability, revenue growth, and cost efficiency. This study seeks to explore the challenges encountered by SBI in the digital transition, including issues related to cybersecurity, integration with legacy systems, and compliance with regulatory standards. The research aims to provide a comprehensive understanding of how digital transformation influences SBI's financial outcomes and its long-term viability in a rapidly evolving banking landscape from 2019-23.

REVIEW OF LITERATURE

Patel Bhavesh Kumar K (2020) Banks are financial institutions that accept deposits, provide loans, and offer services like wealth management and currency exchange. They are categorized into central, scheduled, and non-scheduled banks. Scheduled banks include commercial and cooperative banks, with SBI (State Bank of India) being a public sector bank. Global economic growth has been slow, impacting banking profitability, especially in India. This study examines SBI’s financial performance over five years, highlighting strong results despite challenges, including no dividend payouts in the last two years. The findings stress the need for strategies to improve profitability amidst evolving economic conditions.

Ms. Maheswari, Shree B (2023) it analyse the bank’s financial health through key ratios and tools. It uses data from SBI’s annual reports and financial publications to assess profitability, liquidity, solvency, and efficiency. The study finds that SBI has maintained a stable financial position with strong growth in profitability and solid liquidity and solvency metrics. However, there is room for improvement in efficiency. The results provide valuable insights for investors, analysts, and stakeholders to make informed decisions. Keywords include financial performance, SBI, profitability, and efficiency.

S. Subalakshmi1, S. Grahalakshmi and M. Manikandan(2018) State Bank of India (SBI) stands as the nation's premier commercial bank, leading in assets, deposits, and workforce size. As the preferred financial institution for numerous public sector entities, SBI commands a significant portion of India's banking resources, accounting for over one-third of the total. The bank's dedicated service has earned it widespread public trust. This research seeks to examine SBI's financial performance through ratio analysis. Commercial banks primarily aim to maximize profits, focusing on financial performance analysis and portfolio structuring to optimize returns. Ratio analysis is the most widely used method for evaluating a bank's financial statements. This technique allows bank management to identify changes in advances, income, deposits, expenditure, profits, and profitability over time. Consequently, it helps determine necessary actions to increase deposits, income, and advances while reducing expenses and adjusting future profitability prospects. Given its importance, this study was conducted to assess the financial status of a public sector bank, specifically SBI.

DR. ANURAG. B. SINGH, MS. PRIYANKA TANDON (2012) The banking industry plays a crucial role in a nation's economic growth. India's banking system is characterized by an extensive network of branches offering diverse financial services to the population. Among the leading public sector banks in India is the State Bank of India (SBI), which operates 14 Local Head Offices and 57 Zonal Offices in major cities across the country. In the private sector, ICICI Bank holds the second position, with 2,533 branches and 6,800 ATMs nationwide. This study aims to evaluate and compare the financial performance of SBI and ICICI Bank, representing the public and private sectors respectively. The research employs a descriptive and analytical approach, utilizing secondary data sources. The comparison is based on financial ratios such as credit deposit and net profit margin, covering the period from 2007-08 to 2011-12. The findings reveal that while SBI demonstrates stronger overall financial performance and stability compared to ICICI Bank, the latter exhibits superior efficiency in managing deposits and expenditures.

OBJECTIVE:

1. To analyse the financial statement of SBI during post covid 19.
2. To study the profitability and liquidity of SBI Bank through ratio analysis.
3. To analyse the percentage changes of SBI by using ratio over the period of study.
4. To examine the digital transaction of SBI after covid 19 from 2019-2023.

RESEARCH METHODOLOGY:

Research design

The study is based on the descriptive research design to achieve the objectives of the study.

Sources of Data collection

Secondary data- It used to analyse the financial performance of SBI over period of time from the source of SBI annual report, money control, journals, websites, newspaper, other published information etc.

study period of data analysis

The study period is taken for 5 years from 2019-20 to 2023-24 of SBI Bank.

Tools used for analysis

Ratio analysis

1. Credit deposit ratio
2. Current ratio
3. Net profit margin ratio
4. Net interest margin ratio
5. Return on equity ratio
6. Earnings per share ratio

Measure of central tendency

1. Arithmetic mean
2. Median

Percentage change is a statistical tool to measure the relative difference between two variable.

(% CHANGE = Ending value – initial value / initial value x 100)

DATA AND INTERPRETATION:

CREDIT DEPOSIT RATIO

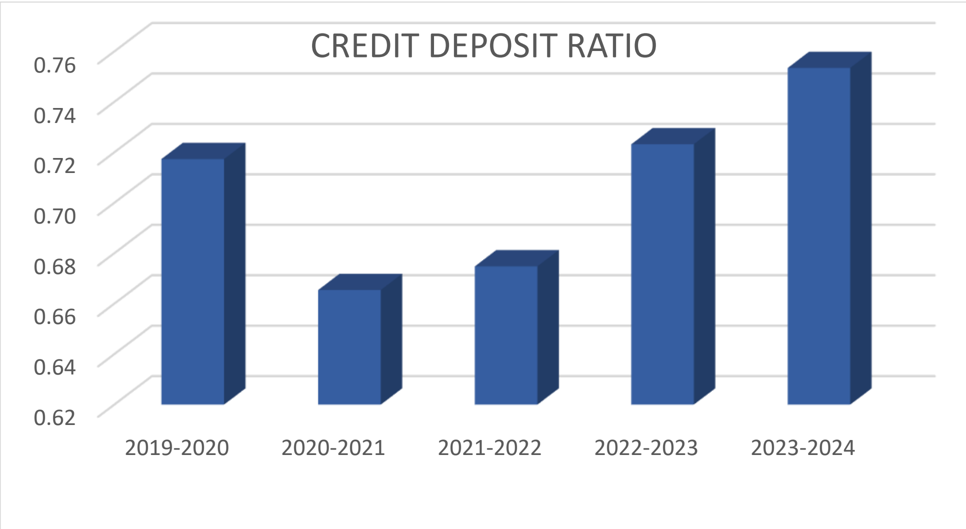
The credit deposit ratio is a total bank's loans compared to its total deposits. It's a key indicator of a bank's health and liquity, and is used to assess its ability to cover customer withdrawals and loan losses.

Credit deposit ratio = total credit / total deposit

The credit deposit ratio of SBI from 2019-2020 to 2023-2024 are shown in the following Table.

TABLE 1.1:- CREDIT DEPOSIT RATIO				
YEARS	CREDIT	DEPOSIT	CREDIT DEPOSIT RATIO	% CHANGE
2019-2020	2325289	3241620	0.72	NIL
2020-2021	2449497	3681277	0.67	-7.24%
2021-2022	2733966	4051534	0.67	1.41%
2022-2023	3199269	4423777	0.72	7.17%
2023-2024	3703970	4916076	0.75	4.18%
MEAN			0.71	
MEDIAN			0.72	
MAXIMUM VALUE = 0.75				
MINIMUM VALUE = 0.67				

Source: Annual Report of SBI from 2019-20 to 2023-24



The above Table depicts that the credit deposit ratio of SBI in the year 2019-2020 is 0.72, 2020-2021 is 0.67, 2021-2022 is 0.67, 2022-2023 is 0.72, 2023-24 is 0.75. The mean value of credit deposit ratio is 0.71 (in percentage = 71%). The maximum ratio was registered in the year 2023-24 as 0.75 and the minimum ratio registered in both years 2020-21 &2021-22 as 0.67.

The average ratio of credit deposit ratio is 0.71, It shows that for every unit of deposit, the bank has extended credit (or loans) worth 71% of the amount. Hence it is clear that the bank utilizes a substantial portion of its deposits for the loan issuance while maintaining adequate liquidity reserves to meet the requirement.

EARNINGS PER SHARE RATIO

It is a financial tool to measure a company's profitability on a per-share basis, reflecting the portion of net income attributable to each outstanding equity share.

Earning per share = net profit after tax and preference dividend / no. of equity shares

The earning per share ratio of SBI from 2019-20 to 2023-24 are shown in following table.

TABLE 1.2:-EARNING PER SHARE		
YEARS	EPS RATIOS	% CHANGE
2019-2020	16.23	NIL
2020-2021	22.87	-40.91%
2021-2022	35.49	-55.18%
2022-2023	56.29	-58.61%
2023-2024	68.44	-21.58%
MEAN	39.864	
MEDIAN	35.49	
MAXIMUM VALUE= 68.44		
MINIMUM VALUE= 16.23		

Source: Annual report of SBI from 2019-20 to 2023-2024

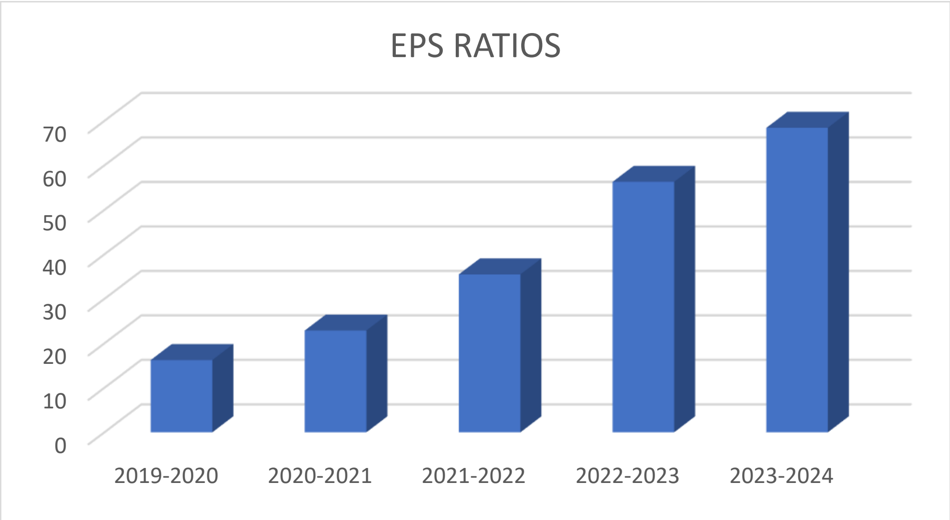


Table depicts that the earning per share ratio of SBI in the year 2019-2020 is 16.23, 2020-2021 is 22.87, 2021-2022 is 35.49, 2022-2023 is 56.29, 2023-24 is 68.44. The mean value of earning per share ratio is 39.86. The maximum ratio was registered in the year 2023-24 as 68.44 and the minimum ratio registered in years 2019-20 as 16.23. The Average ratio of EPS ratio is 39.86, it indicates strong profitability and operational efficiency for the bank. This reflects the portion of earnings attributable to each equity share over the period.

CURRENT RATIO

It is a critical financial ratio that evaluates an organization's liquidity and its ability to meet short-term obligations using its current assets. It is widely used to assess financial stability and operational efficiency.
Current ratio = current assets / current liabilities
The current ratio of SBI from 2019-2020 to 2023-24 are shown in the following table:

TABLE 1.3:- CURRENT RATIO		
YEARS	CURRENT RATIO	% CHANGE
2019-2020	1.78	NIL
2020-2021	1.93	8.43%

2021-2022	1.48	-23.32%
2022-2023	1.46	-1.35%
2023-2024	1.56	6.85%
MEAN	1.642	
MEDIAN	1.56	
MAXIMUM VALUE = 1.93		
MINIMUM VALUE = 1.46		

Source: Annual report of SBI from 2019-20 to 2023-24

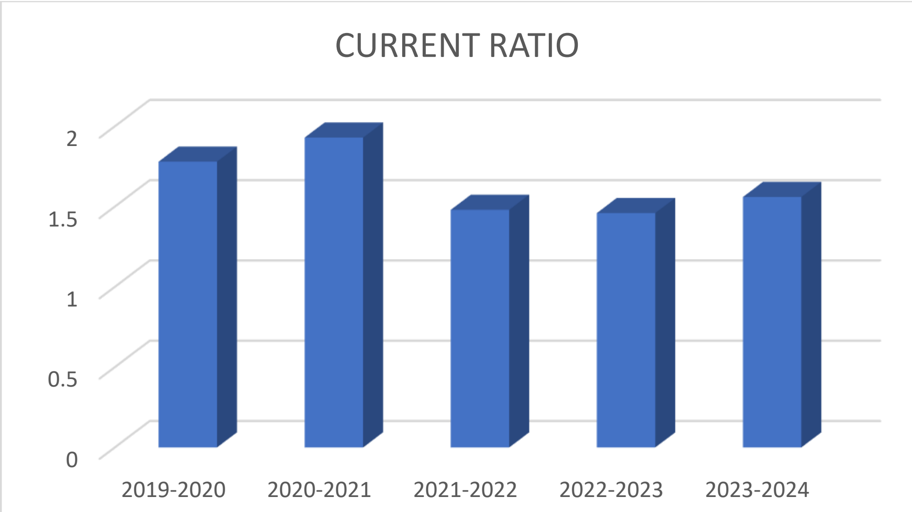


Table depicts that the current ratio of SBI in the year 2019-2020 is 1.78, 2020-2021 is 1.93, 2021-2022 is 1.48, 2022-2023 is 1.46, 2023-2024 is 1.56. The arithmetic mean value is 1.642. The maximum ratio registered in the year 2020-21 as 1.93 and the minimum ratio registered in the year 2022-23 as 1.46. The average ratio of current ratio is 1.64, it indicates a healthy liquidity position for the bank, indicating its ability to meet short-term obligation efficiently. While this is a positive sign of financial stability.

RETURN ON EQUITY

It is a financial matric to measure the company financial performance. It is calculated by dividing net income by shareholder's equity.

Return on equity = Net profit / equity shareholders fund * 100

The Return on equity od SBI from 2019-2020 to 2023-24 are shown in the following table:

TABLE 1.4:- RETURN ON EQUITY		
YEAR	RETURN ON EQUITY	% CHANGE
2019-2020	6.95	NIL
2020-2021	8.86	27%
2021-2022	12.33	39%
2022-2023	16.75	36%
2023-2024	17.46	4%
MEAN	12.47	
MEDIAN	12.4	

MAXIMUM VALUE = 17.46
MINIMUM VALUE = 6.95

Source: Annual Report of SBI from 2019-20 to 2023-24

The above table clearly shows that the mean value of ROE IS 12.47. The maximum value of the ratio are registered in the year 2023-24 as 17.46 and the minimum value of the ratio are registered in the year 2019-20 as 6.95.

The table shows the drastic increase in the Return on equity of SBI for the following year of study. The Average value of ROE is 12.46 which means the company is generating a moderate return on its shareholders equity and the company is utilizing its equity capital in a reasonable efficient manner.

NET PROFIT MARGIN

The percentage of revenue that remains as net income after all costs are deducted is measured by the net profit margin, a crucial indicator of financial performance. It is frequently used to evaluate a business's operational effectiveness and profitability.

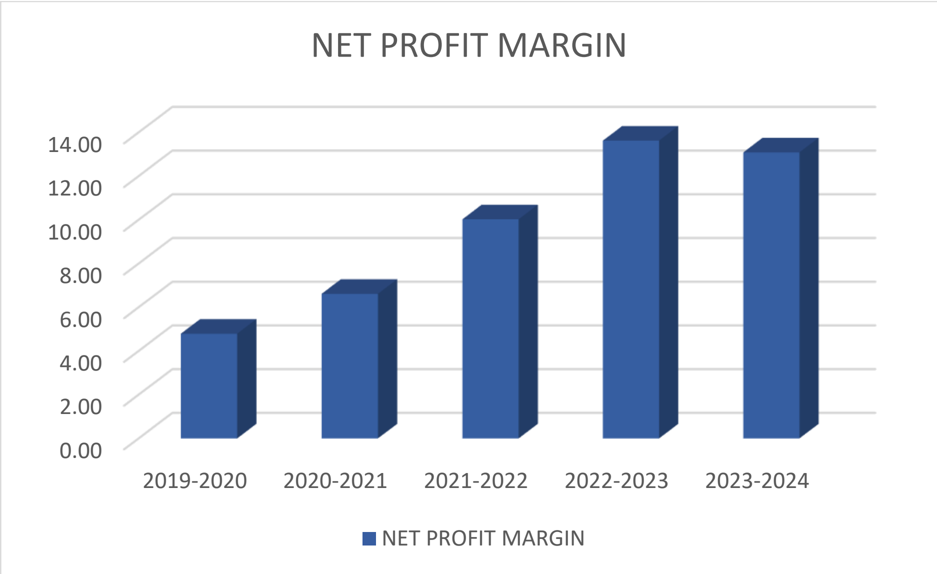
Net profit margin = Net profit / Revenue x 100

The Net profit ratio of SBI from 2019-2020 to 2023-24 are shown in the following table:

TABLE 1.5:- NET PROFIT MARGIN				
YEAR	NET PROFIT (Rs)	TOTAL REVENUE (Rs)	NET PROFIT MARGIN (%)	% CHANG
2019-2020	14,488	3,02,545	4.79	NIL
2020-2021	20,410	3,08,647	6.61	38%
2021-2022	31,676	3,16,021	10.02	52%
2022-2023	50,232	3,68,718	13.62	36%

2023-2024	61,077	4,66,812	13.08	-4%
MEAN			9.63	
MEDIAN			10.02	
MAXIMUM VALUE = 13.62				
MINIMUM VALUE = 4.79				

Source: Annual report of SBI from 2019-20 to 2023-24



According to the table, The arithmetic mean value was registered as 9.63. the maximum ratio net profit margin ratio registered as 13.62 in the year 2022-23 and the minimum ratio is registered as 4.79 in the year 2019-20. This indicates moderate profitability, typical for a large public sector bank with diverse operations. The company is managing its costs effectively and raising a decent profit.

NET INTEREST MARGIN RATIO

One financial indicator that shows how much a bank makes from lending is its net interest margin (NIM). It is computed by deducting the interest received from lending from the interest given to lenders, and the result is then expressed as a percentage of the average earning assets of the institution.

Net Interest Margin =(interest earned – interest expended) / Total asset x 100

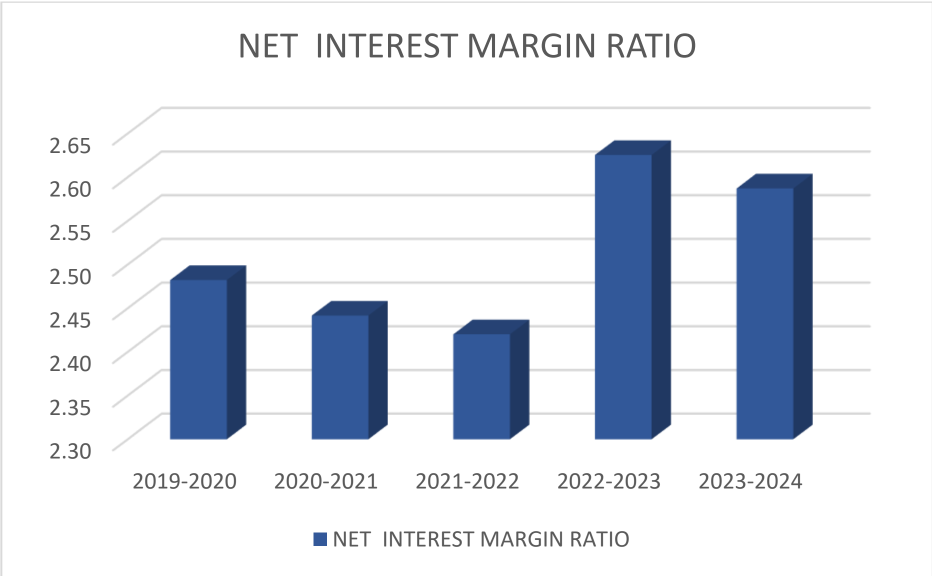
The Net profit ratio of SBI from 2019-2020 to 2023-24 are shown in the following table:

TABLE1.6:- NET INTEREST MARGIN RATIO

YEAR	INTERET EARNED	INTEREST EXPENDED	TOTAL ASSETS	NET INTEREST MARGIN RATIO(%)	% CHANGE
2019-2020	2,57,323	1,59,238	39,51,393	2.48	Nil
2020-2021	2,65,150	1,54,440	45,34,429	2.44	-2%
2021-2022	2,75,457	1,54,749	49,87,597	2.42	-1%
2022-2023	3,32,103	1,87,262	55,16,978	2.63	8%

2023-2024	4,15,130	2,55,254	61,79,693	2.59	-1%
MEAN				2.51	
MEDIAN				2.48	
MAXIMUM VALUE = 2.63					
MINIMUM VALUE = 2.42					

Source: Annual report of SBI from 2019-20 to 2023-24



It is apparent from the above table, that the average net interest margin of SBI during the study period was 2.51. The maximum net interest margin of SBI is 2.63 in the year 2022-23. The minimum net interest margin of SBI is 2.42 in the year 2021-22.
The average net interest margin ratio of SBI is 2.51. The positive of the net margin indicates the SBI investment strategy costs more than it makes and was able to make optimal decision, as interest expenses were lower than the amount of returns produced by investment.

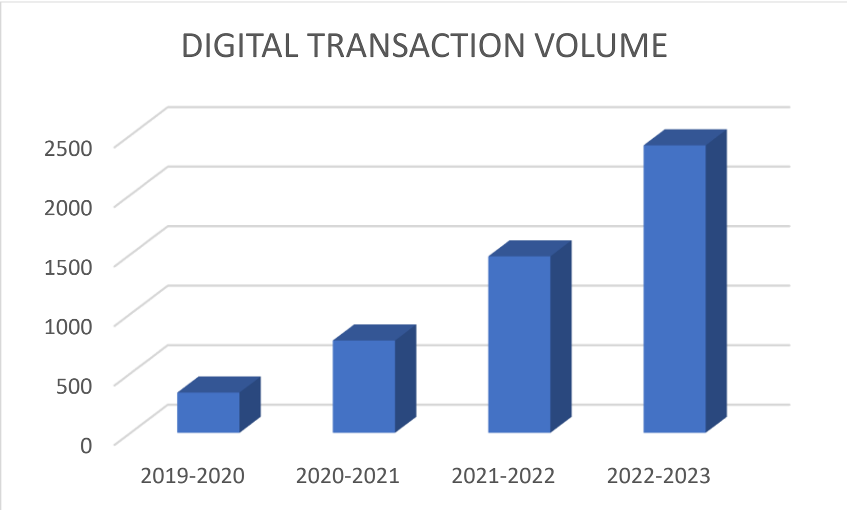
DIGITAL TRANSACTION OF SBI

The State Bank of India (SBI) has achieved considerable progress in digital transactions by adopting technological innovations to improve customer service and simplify banking procedures. SBI provides multiple digital services, such as mobile banking, internet banking, and UPI payments, via its YONO platform. The bank has also put in place advanced security measures, comprising multifactor authentication and encryption. A comprehensive digital environment enables customers to engage in a range of financial activities, including money transfers, bills payments, and account administration, right from their mobile devices or computers, with security measures implemented through various protocols.
As a direct outcome of these programs, SBI has observed a considerable rise in digital transactions, contributing to India's overall drive toward a cashless economy and financial accessibility. The State Bank of India (SBI) has made considerable advancements in digital transactions from 2019 to 2023, in line with India's push toward a cashless economy and financial inclusion.
The below table shows the year wise growth of digital transaction of SBI from 2019-2023:

TABLE 2:- DIGITAL TRANSACTIONS VOLUME OF SBI 2020-2023 (IN MILLIONS)

YEAR	DIGITAL TRANSACTION VOLUME	% CHANGE
2019-2020	338.19	NIL
2020-2021	775.55	129.32%
2021-2022	1482.61	91.17%
2022-2023	2415.09	62.89%

Source: Secondary data



The State Bank of India (SBI) is leading the way when it comes to digital payments in India. In June 2023 alone, SBI processed over 2.4 billion UPI transactions, a number that's been steadily growing over the past year.

UPI, or Unified Payments Interface, was introduced by the National Payments Corporation of India (NPCI) in 2016, and it's completely changed how we handle money. Apps like PhonePe and Google Pay use UPI to connect users to their banks, making fund transfers super easy and much more convenient than older methods like IMPS. At the same time, Percentage change also have a steady growth.

SBI's impressive numbers highlight just how central it has become to India's booming digital payments revolution

FINDING

- The State Bank of India (SBI) maintains a moderate credit deposit ratio of 0.71 (71%), indicating its lending practices.
- The table shows a consistent increase in the Earnings Per Share (EPS) ratio from 16.23 to 68.44 throughout the examined period.
- A decline in the current ratio is observed, dropping from 1.78 in 2019-2020 to 1.56 in 2023-2024.
- The average Return on Equity (ROE) ratio of 12.46, the bank demonstrates a moderate return for its equity shareholders.
- The net profit margin has seen significant growth, rising from 4.79 in 2019-2020 to 13.08 in 2023-2024.
- SBI's net interest rate margin stands at 2.51, which appears low for the duration of the study.

- Notably, there has been a substantial increase in the volume of digital transactions during the examined timeframe.

SUGGESTION

- The average ratio of credit deposit is 0.71, so it is clear that bank utilizes a substantial portion of deposit for loan issuance. The bank should maintain the same flow of liquidity reserve to sustain.
- The SBI bank EPS is 39.8 which depicts that the bank should strategies to improve a banks EPS by reducing non-performing assets.
- The SBI bank has a current ratio of 1.56, it means the firm has 1.56 times more current assets than current liabilities. If the ratio is too high, it might lead to inefficient assets utilization or overstocking. So, the bank need to be efficient in asset handling and over stocking.
- The SBI Bank should maintain an optimal mix of debt and equity to ensure financial stability without overleveraging.
- SBI is experiencing moderate net profit margin to enhance the revenue streams the bank should promote digital platforms to reduce dependency on branch operations and boost low-cost revenue.
- SBI can enhance digital transactions by upgrading the YONO app, boosting digital literacy, offering rewards for usage, and strengthening cybersecurity. Focus on rural adoption through simple interfaces, partner with fintech for innovation, and support MSMEs with digital tools. Improve 24/7 customer support and use feedback to refine services.

CONCLUSION

The state bank of India (SBI) has shown remarkable growth in the post-covid-19 period, driven by its focus on digital transformation. Through initiatives like the YONO platform, SBI has made banking more accessible and efficient for million of customers. Financially, the bank has seen steady improvement, with key indicators like earning per share and return on equity reflecting strong performance. Also, SBI emphasis on digital transactions has not only simplified banking for its customers but also played a significant role in advancing India's journey towards a cashless economy. By embracing innovation and staying aligned with digital trends, SBI has cemented its position as a leader in the banking sector.

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