Shodhsamhita: Journal of Fundamental & Comparative Research
Vol. VIII, No. 5: 2022
ISSN: 2277-7067

A COMPREHENSIVE ANALYSIS OF DIFFERENT RATIOS AT RATIOS AT SBI BANK

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Abstract:

A bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency, exchange, and safe deposit boxes. There are two types of the central bank, a scheduled bank, and a non-scheduled bank. There are two types of Scheduled banks, commercial and co-operative, and commercial banks are four types banks, private sector banks, public sector banks, foreign banks, and regional banks. Then SBI is a public sector bank. Global growth continued to remain sluggish ey year. Weaken business environment near-stagnation in growth dynamics.

The RBI pressures on banks' profitability and suggest various methods to reduce the unsecured loans and advances, with changes in the social and economic objective of Indian commercial banks profitability of SBI group. It becomes extremely over and finds remedial measures to reduce the profitability in the value of the current banking philosophy. The approach of policy makers towards profitability has changed, with the result that low profits have become a fact of life. Therefore, it is time to concentrate on analyses of the profitability performance. The research presented was conducted at the SBI bank. The objectives of the paper are to study the profitability position and profitability performance of SBI. Five years of data were obtained in the presented research. Statistical tables, graphs, and analysis ratios were used to analyze the information received. It was finally found that the SBI bank's financial performance was good and the dividend payout ratio for the last two years has been seen in Nil. In-depth information in this regard is presented in the present research paper

Key words: Graphs, Ratio analysis and trend analysis.

1. INTRODUCTION

RATIO ANALYSIS

Financial ratios are tools for interpreting financial statements to provide a basis for valuing securities and appraising financial and management performance. In general, there are 3 kinds of financial ratios that a financial analyst will use most frequently, these are:

- Working capital ratios
- Liquidity ratios
- Solvency ratios

Information technology is a capital-intensive industry. Investing in e-banking if not done appropriately can cost a very substantial sum of money. Today many banks worldwide offer their services electronically. In an increasingly integrated global economy, the Indian economy will lag if it does not take advantage of this new banking system. On the other hand, customers who have technological understanding are growing in number and these customers prefer a distribution system that is based on information technology. Response to this need of customers with traditional banking systems is relatively expensive. Thus, getting the appropriate technology is essential to remain in the market. Slow response or overlooking this technological innovation will leave space for non-bank companies and organizations to provide banking services and take a larger share of the market.

2. REVIEW OF LITERATURE

The Indian capital market has changed dramatically over the last few years, especially since 1990. Changes have also been taking place in government regulations and technology. The expectations of the investors are also changing. The only inherent feature of the capital market, which has not changed is the 'risk' involved in investing in corporate securities. Managing the risk is emerging as an important function of both large-scale and small-scale investors.

Risk management of investing in corporate securities is under active and extensive discussion among academicians and capital market operators. Surveys and research analyses have been conducted by institutions and academicians on risk management. The mutual fund companies in India have conducted specific studies on the 'risk element' of investing in corporate securities.

Grewal S.S and Navjot Grewall (1984) revealed some basic investment rules and rules for selling shares. They warned the investors not to buy unlisted shares, as Stock Exchanges do not permit trading in unlisted shares. Another rule that they specify is not to buy inactive shares, ie, shares in which transactions take place rarely. The main reason why shares are inactive is that there are no buyers for them. They are mostly sharing companies, which are not doing well.

A third rule according to them is not to buy shares in closely-held companies because these shares tend to be less active than those of widely held ones since they have a fewer number of shareholders. They caution not to hold the shares for a long period, expecting a high price, but to sell whenever one earns a reasonable reward.

Jack Clark Francis (1986) revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk. He opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield. However, he suggested that the investors can formulate a probability distribution of the possible rates of return.

He also opined that an investor who purchases corporate securities must face the possibility of default and bankruptcy by the issuer. Financial analysts can foresee bankruptcy. He disclosed

some easily observable warnings of a firm's failure, which could be noticed by the investors to avoid such a risk.

Preethi Singh (1986) disclosed the basic rules for selecting the company to invest in. She opined that understanding and measuring return MD risk is fundamental to the investment process.

According to her, most investors are 'risk-averse. To have a higher return the investor has to face greater risks.

She concludes that risk is fundamental to the process of investment. Every investor should have an understanding of the various pitfalls of investments. The investor should carefully analyze the financial statements with special reference to the solvency, profitability, EPS, and efficiency of the company.

David.L.Scott and William Edward (1990) reviewed the important risks of owning common stocks and the ways to minimize these risks. They commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimize if an investor sticks to the common stocks of companies that employ small amounts of debt.

They suggested that a relatively easy way to ensure some degree of liquidity is to restrict investment in stocks having a history of adequate trading volume. Investors concerned about the business risk can reduce it by selecting common stocks of firms that are diversified in several unrelated industries.

Lewis Mandells (1992) reviewed the nature of market risk, which according to him is very much 'global'. He revealed that certain risks that are so global that they affect the entire investment market. Even the stocks and bonds of well-managed companies face market risk. He concluded that market risk is influenced by factors that cannot be predicted accurately like economic conditions, political events, mass psychological factors, etc. Market risk is the systemic risk that affects all securities simultaneously and it cannot be reduced through diversification.

Nabhi Kumar Jain (1992) specified certain tips for buying shares holding and also for selling shares. He advised the investors to buy shares of a growing company in a growing industry. Buy shares by diversifying in several growth companies operating in a different but equally fast-growing sector of the economy.

He suggested selling the shares the moment the company has or almost reached the peak of its growth. Also, sell the shares the moment you realize you have made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high-priced shares is to identify the individual merit or demerit of each of the shares in the portfolio and arrive at a decision.

Carter Randal (1992) offered to investors the underlying principles of winning on the stock market. He emphasized a long-term vision and a plan to reach the goals. He advised the investors that to be successful, they should never be pessimists. He revealed that - though there has been a major economic crisis almost every year, it remains true that patient investors have consistently made money in the equities market. He concluded that investing in the stock market should be an un-emotional endeavour and suggested that investors should own a stock if they believe it would perform well.

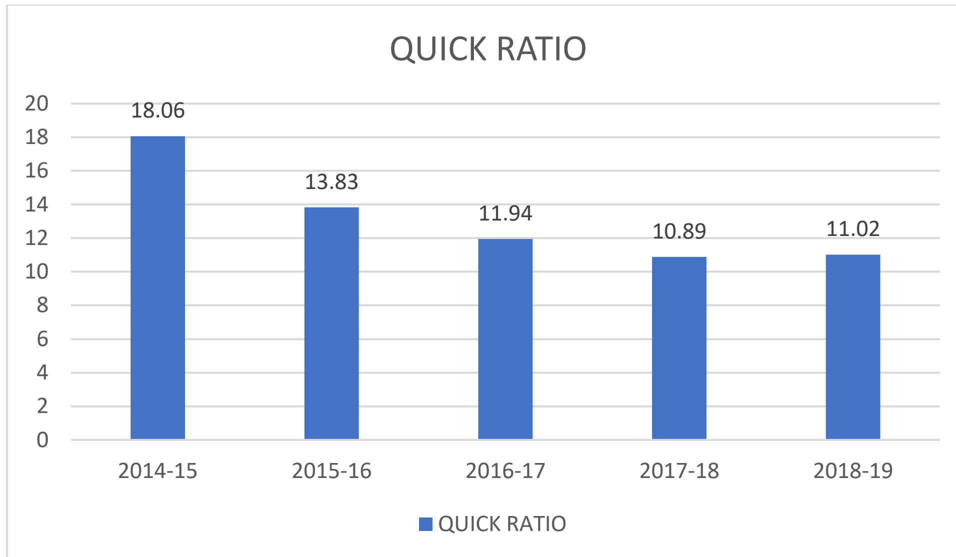
3. RESULTS AND DISCUSSION

1. Quick Ratio:

YEAR	QUICK RATIO
2014-15	18.06
2015-16	13.83
2016-17	11.94

2017-18	10.89
2018-19	11.02

Table 1. Quick Ratio:



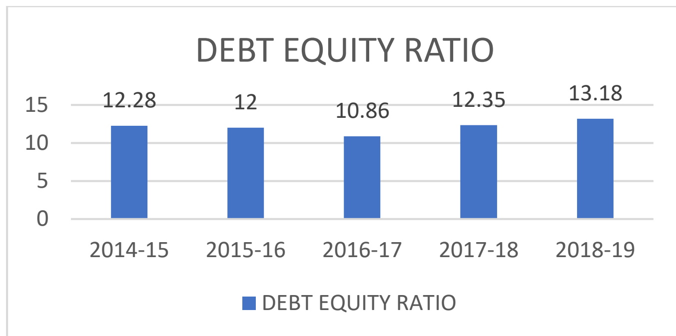
INTERPRETATION

It is calculated by dividing the quick assets by current liabilities. It measures the short-term financial condition of the bank. This ratio is considerable the ratio of 1:1. From the Above table and graph, it is clear that current ratio is the highest in 2014-15 and lowest in 2017-18. Each year the quick ratio was observed in the ratio of 1:1.

2. Debt-equity ratio:

YEAR	DEBT EQUITY RATIO
2014-15	12.28
2015-16	12
2016-17	10.86
2017-18	12.35
2018-19	13.18

Table 2. Debt-equity ratio



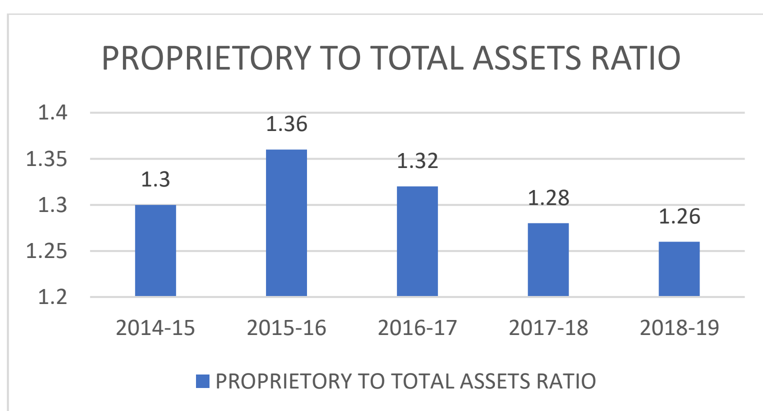
INTERPRETATION

These ratios show the relationship between long-term debt and shareholder funds. The ratio of equity to debt is known by this ratio. From the Above table and graph, it is clear that the debt-equity ratio is the highest in 2018-19 and lowest in 2016-17. Debt-equity ratios show the shareholder funds are higher than long-term debt each year.

3. Total assets to debt ratio:

YEAR	TOTAL ASSETS TO DEBT RATIO
2014-15	1.30
2015-16	1.36
2016-17	1.32
2017-18	1.28
2018-19	1.26

Table 3 : Total assets to debt ratio



INTERPRETATION

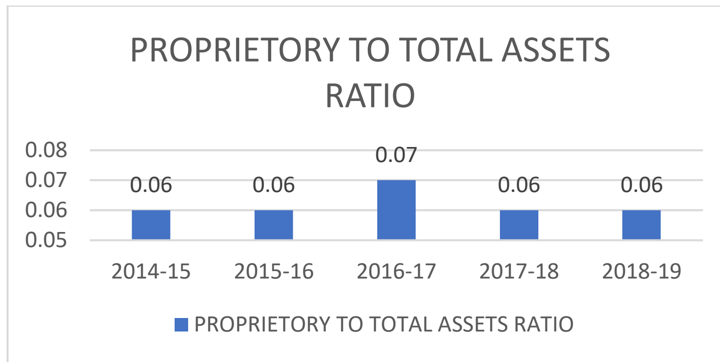
Total assets to debt ratio show the relationship between total assets and non-current debt. Find out how much of the total property has been raised through debt. From the Above table and graph, it is clear that the total assets to debt ratio are the

highest in 2015-16 and lowest in 2018-19. As well as the total assets to debt ratio show, that there has been a steady decline from 2015-16.

4. Proprietary to total assets ratio:

YEAR	PROPRIETORY TO TOTAL ASSETS RATIO
2014-15	0.06
2015-16	0.06
2016-17	0.07
2017-18	0.06
2018-19	0.06

Table 4. Proprietary ratio to total assets:



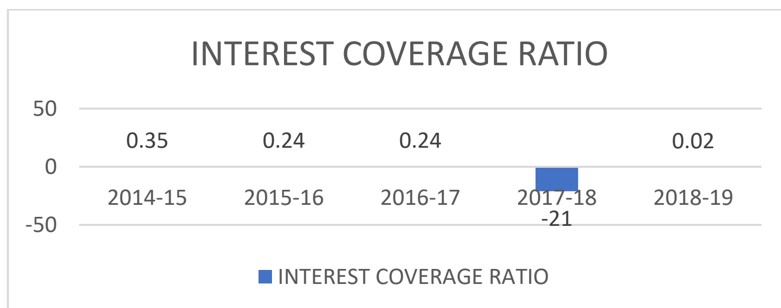
INTERPRETATION

From the Above table and graph, it is clear that the total assets to debt ratio is the highest in 2016-17. Proprietary to total assets ratios was seen the same throughout the rest of the year. It is clear from Proprietary to assets ratios that the total assets and shareholders' funds were seen in the same proportion.

5. Interest Coverage Ratio:

YEAR	INTEREST COVERAGE RATIO
2014-15	0.35
2015-16	0.24
2016-17	0.24
2017-18	-21
2018-19	0.02

Table 5. Interest Coverage Ratio



INTERPRETATION

The interest coverage ratio shows the relationship between interest and profit before tax and interest on long-term debt. This ratio is used to check out the interest payment parity. From the Above table and graph, it is clear that the total assets to debt ratio are the highest in 2014-15. And in the Interest Coverage Ratio year, 2017-18 debt was seen.

CONCLUSION:

The research presented sought to know the financial profitability, financial viability, and financial health of SBI bank. For that, the Current Ratio, Quick Ratio, Debt Equity Ratio, Debt Ratio, Proprietary Ratio, Interest Coverage Ratio, Net profit ratio, and dividend pay-out Ratio were explored. Table, graphs, ratio analysis, and trend analysis were used to analyse and interpret the information obtained. It was finally learned that SBI bank's financial performance good dividend pay-out ratio nil to2017-18 to 218-19 due to a lower net profit ratio.

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