



Mathematical Analysis on the Role of S. B. I. in Indian Economy

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Abstract

The economic reforms implemented in India since 1990 have included the development of the financial system. India's rapid growth since 2000 has been accompanied by increases in both savings and investment rates. This process has also brought an increase in external procurement of financial resources. This suggests that external financing plays an important role in the achievement of high economic growth. The priorities in this context include the structural expansion of bank credit through the expansion of financial savings, the improvement of the efficiency of financial intermediation and the allocation of financial resources. These goals will require further improvements in the efficiency of the banking sector, and the setting of loan and deposit interest rates at levels that reflect market realities. Other essential steps include a review of the statutory liquidity ratio (SLR) system and priority sector lending, and the promotion of financial inclusion. When designing financial inclusion systems, including priority sector lending, greater emphasis will need to be placed on economic rationality. To expand financial savings, it will also be necessary to focus on measures to reduce the number of informal sector enterprises, including the expansion of rural employment. The State Bank of India, largest and strongest nationalized bank in India ranks top among first five banks worldwide. It received Skoch Financial Award 2012 for its project-Reaching the Last Mile: Banking The Unbanked by Honorable C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council State Bank of India has achieved 100 per cent coverage of its allotted unbanked villages in Andhra Pradesh under the Financial Inclusion Programme (FIP) of the Reserve Bank.

Keywords: Capital Growth, Indian Economy, S. B. I.

1. Introduction

The State Bank of India (SBI), with a 200 year history, is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the single largest shareholder of this Fortune 500 entity with 61.58% ownership. SBI is ranked 60th in the list of Top 1000 Banks in the world by "The Banker" in July 2012. The origins of State Bank of India date back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921, the Bank of Bengal and two other banks (Bank of Madras and Bank of Bombay) were amalgamated to form the Imperial Bank of India. In 1955, the Reserve Bank of India acquired the controlling interests of the Imperial Bank of India and SBI was created by an act of Parliament to succeed the Imperial Bank of India.

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in 1806 in Calcutta. After three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921. Primarily Anglo-Indian creations, the three presidency banks came into existence either as a result of the compulsions of imperial finance or by the felt needs of

local European commerce and were not imposed from outside in an arbitrary manner to modernize India's economy. Their evolution was, however, shaped by ideas culled from similar developments in Europe and England, and was influenced by changes occurring in the structure of both the local trading environment and those in the relations of the Indian economy to the economy of Europe and the global economic framework.

The State Bank of India, the country's oldest bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of change and transformation – the two hundred year old public sector behemoth is today stirring out of its public sector legacy and moving with an ability to give the private and foreign banks a run for their money. The bank is entering into many new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc – each one of these initiatives having a huge potential for growth.

The bank is forging ahead with cutting edge technology and innovative new banking models, to expand its rural banking base, looking at the vast untapped potential in the hinterland and proposes to cover 100,000 villages in the next two years. At the end March, 2011, the total number of branches was 13,542 while the number of ATMs stood at 20,084 across the country.

It is also focusing at the top end of the market, on whole sale banking capabilities to provide India's growing mid / large corporate with a complete array of products and services. It is consolidating its global treasury operations and entering into structured products and derivative instruments. Today, the bank is the largest provider of infrastructure debt and the largest arranger of external commercial borrowings in the country. It is the only Indian bank to feature in the Fortune 500 list.

The bank is actively involved since 1973 in non-profit activity called Community Services Banking. All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes. Their business is more than banking because they touch the lives of people anywhere in many ways. The State Bank of India (SBI) has received an approval from the Government of India (GOI) for acquisition of SBI Commercial and International Bank (SBICI Bank). The government had issued the 'Acquisition of SBICI Bank Order 2011' vide order dated July 29, 2011. SBI entered the UK's home loan market, the bank started with mortgages for landlords, best known as buy-to-let mortgages, with amounts ranging from £50,000 to £1.5 million, and loan to value of ratios of up to 60 per cent.

In April 2014 State Bank of India launched three digital banking facilities for the convenience of SBI customers. Two at the customer's door step using TAB banking – one for customers opening Savings Bank accounts and another for Housing Loan applicants. The third is e-KYC (Know your Customer). The SBI group consists of SBI and five associate banks. The group has an extensive network, with over 20000 plus branches in India and another 186 offices in 34 countries across the world. As of 31st March 2013, the group had assets worth USD 392 billion, deposits of USD 299 billion and capital & reserves in excess of USD 23.03 billion. The group commands over 23% share of the domestic Indian banking market. SBI's non-banking subsidiaries/joint ventures are market leaders in their respective areas and provide wide ranging services, which include life insurance, merchant banking, mutual funds, credit cards, factoring services, security trading and primary dealership, making the SBI Group a truly large financial supermarket and India's financial icon. SBI has arrangements with over 1500 various international / local banks to exchange financial messages through SWIFT in all business centers of the world to facilitate trade related banking business, reinforced by dedicated and highly skilled teams of professionals.

2. Numerical Simulation

2.1 Five Years Comparative Results

(Rs. in Crores)

	2014-15	2013-14	2012-13	2011-12	2010-11
Interest Earned					
(a) Int. /Disc. on Adv/Bills	112,343.91	102,484.10	90,537.10	81,077.70	59,976.00

(b) Income on Investment	37,087.77	31,941.87	27,200.63	23,949.14	19,651.37
(c) Int. on balances With RBI	505.12	409.31	545.14	350.47	410.66
(d) Others	2,460.27	1,515.52	1,374.23	1,144.14	1,356.33
Other Income	22,575.89	18,552.92	16,034.84	14,351.45	15,824.60
EXPENDITURE					
Interest Expended	97,381.82	87,068.63	75,325.80	63,230.37	48,867.96
Employees Cost	23,537.07	22,504.28	18,380.90	16,974.04	14,480.17
Other Expenses	15,140.57	13,221.57	10,903.52	9,094.95	8,535.26
Depreciation	0.00	0.00	0.00	0.00	0.00
Operating Profit before Provisions and contingencies	38,913.50	32,109.24	31,081.72	31,573.54	25,335.57
Provisions And Contingencies	19,599.54	15,935.35	11,130.83	0.00	10,381.34
Exceptional Items	0.00	0.00	0.00	13,090.23	0.00
P/L Before Tax	19,313.96	16,173.89	19,950.89	18,483.31	14,954.23
Tax	6,212.39	5,282.72	5,845.91	6,776.02	6,689.71
P/L After Tax from Ordinary Activities	13,101.57	10,891.17	14,104.98	11,707.29	8,264.52
Prior Year Adjustments	0.00	0.00	0.00	0.00	0.00
Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00
Net Profit/(Loss) For the Period	13,101.57	10,891.17	14,104.98	11,707.29	8,264.52
Equity Share Capital	746.57	746.57	684.03	671.04	635.00
Reserves Excluding Revaluation Reserves	127,691.65	117,535.68	98,199.65	83,280.16	64,351.04
Equity Dividend Rate (%)	350.00	300.00	415.00	350.00	300.00
ANALYTICAL RATIOS					
a) % of Share by Govt.	58.60	58.60	62.31	61.58	59.40
b) Capital Adequacy Ratio - Basel -I	0.00	0.00	0.00	12.05	10.69
c) Capital Adequacy Ratio - Basel -II	12.79	12.96	12.92	13.86	11.98
EPS Before Extra Ordinary					

Basic EPS	17.55	156.76	210.06	184.31	130.16
Diluted EPS	17.55	156.76	210.06	184.31	130.16
EPS After Extra Ordinary					
Basic EPS	17.55	156.76	210.06	184.31	130.16
Diluted EPS	17.55	156.76	210.06	184.31	130.16
NPA Ratios :					
i) Gross NPA	56,725.34	61,605.35	51,189.39	39,676.46	25,326.29
ii) Net NPA	27,590.58	31,096.07	21,956.48	15,818.85	12,346.89
i) % of Gross NPA	4.25	4.95	4.75	4.44	3.28
ii) % of Net NPA	2.12	2.57	2.10	1.82	1.63
Return on Assets %	0.76	0.65	0.91	0.88	0.71
Public Share Holding					
No Of Shares (Lakhs)	30,911.33	3,091.13	2,577.93	2,577.92	2,577.92
Share Holding (%)	41.40	41.40	37.69	38.42	40.60
Promoters and Promoter Group Shareholding					
a) Pledged/Encumbered					
- Number of shares (Lakhs)	0.00	0.00	0.00	0.00	0.00
- Per. of shares (as a % of the total sh. of prom. and promoter group)	0.00	0.00	0.00	0.00	0.00
- Per. of shares (as a % of the total Share Cap. of the company)	0.00	0.00	0.00	0.00	0.00
b) Non-encumbered					
- Number of shares (Lakhs)	43,745.98	4,374.60	4,262.41	4,132.52	3,772.07
- Per. of shares (as a % of the total sh. of prom. and promoter group)	100.00	100.00	100.00	100.00	100.00
- Per. of shares (as a % of the total Share Cap. of the company)	58.60	58.60	62.31	61.58	59.40

1.2 Income Statement

	March ' 15 12 Months	March ' 14 12 Months	March ' 13 12 Months	March ' 12 12 Months	March ' 11 12 Months
Income :					
Operating Income	152,397.07	136,350.80	119,657.10	106,521.45	81,394.36
Expenses					
Financial Expenses	97,381.82	87,068.63	75,325.80	63,230.37	48,867.96
Personnel Expenses	23,537.07	22,504.28	18,380.90	16,974.04	15,211.62
Selling Expenses	0.00	0.00	0.00	0.00	0.00
Administrative Expenses	14,024.08	11,887.63	9,763.91	8,087.78	6,813.32
Expenses Capitalized	0.00	0.00	0.00	0.00	0.00
Operating Expenditure	134,942.97	121,460.54	103,470.61	88,292.19	70,892.90
Operating Profit	17,454.10	14,890.26	16,186.49	18,229.26	10,501.46
Other Recurring Income	22,575.89	18,552.92	16,034.84	14,351.45	15,824.59
Adjusted PBDIT	40,029.99	33,443.18	32,221.33	32,580.71	26,326.05
Provisions Made	19,599.54	15,935.35	11,130.83	13,068.95	10,381.34
Depreciation	1,116.49	1,333.94	1,139.61	1,007.17	990.50
Other Write offs	0.00	0.00	0.00	0.00	0.00
Adjusted PBT	19,313.96	16,173.89	19,950.89	18,504.59	14,954.21
Tax Charges	6,212.39	5,282.72	5,845.91	6,797.30	6,689.71

Adjusted PAT	13,101.57	10,891.17	14,104.98	11,707.29	8,264.50
Non Recurring Items	0.00	0.00	0.00	0.00	-894.17
Other Non Cash adjustments	0.00	0.00	0.00	0.00	0.00
Reported Net Profit	13,101.57	10,891.17	14,104.98	11,707.29	7,370.35
Earnings Before Appropriation	13,101.89	10,891.51	14,105.32	11,713.34	7,370.69
Equity Dividend	2,036.63	1,941.26	2,462.79	2,052.16	1,658.48
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Dividend Tax	520.65	298.45	375.95	296.49	246.52
Retained Earnings	10,544.61	8,651.80	11,266.58	9,364.68	5,465.69

1.3 Ratio Analysis

	March ' 15 12 Months	March ' 14 12 Months	March ' 13 12 Months	March ' 12 12 Months	March ' 11 12 Months
Capital Adequacy Ratio	12.00	12.96	12.92	13.86	11.98
EARNINGS RATIOS					
Income from Fund Advances as a % of Op Income	0.00	0.00	0.00	0.00	0.00
Operating Income as a % of Working Funds	11.72	11.27	11.44	12.27	10.75
Fund based income as a % of Op Income	100.00	100.00	100.00	100.00	100.00
Fee based income as a % of Op	0.00	0.00	0.00	0.00	0.00

Income					
PROFITABILITY RATIOS					
Yield on Fund Advances	0.00	0.00	0.00	0.00	0.00
Break-Even Yield Ratio	7.49	7.19	7.20	7.28	6.45
Cost of Funds Ratio	5.46	5.51	5.49	5.40	4.63
Net Profit Margin	8.59	7.98	11.78	10.99	9.05
Adjusted Return On Net Worth	10.20	9.20	14.26	13.94	12.71
Reported Return On Net Worth	10.20	9.20	14.26	13.94	11.34
BORROWING RATIOS					
Borrowings from RBI as % to Total Borrowings	0.00	0.00	0.00	0.00	0.00
Borrowings from other banks as a % to Total Borrowings	0.00	0.00	0.00	0.00	0.00
Borrowings from others as a % to Total Borrowings	100.00	100.00	100.00	100.00	100.00
Borrowings within India as a % to Total Borrowings	100.00	100.00	100.00	100.00	100.00
Borrowings from outside India as a % to Total Borrowings	0.00	0.00	0.00	0.00	0.00
DEPOSIT RATIOS					
Demand Deposit of Total Deposits	100.00	100.00	100.00	100.00	100.00

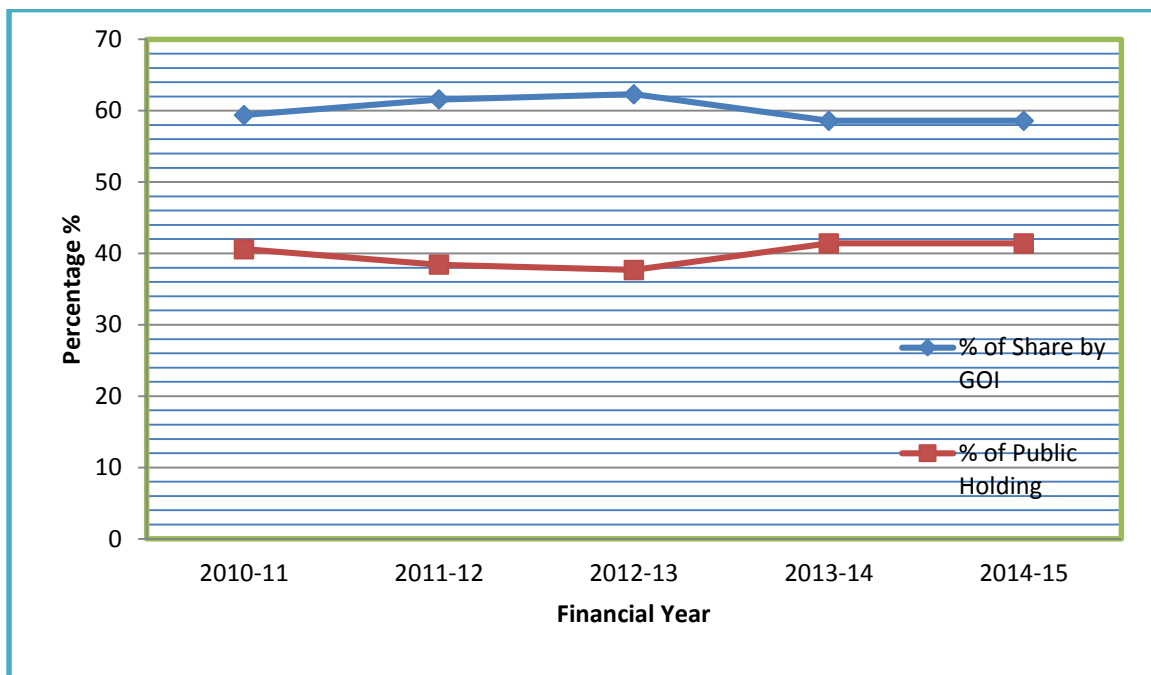
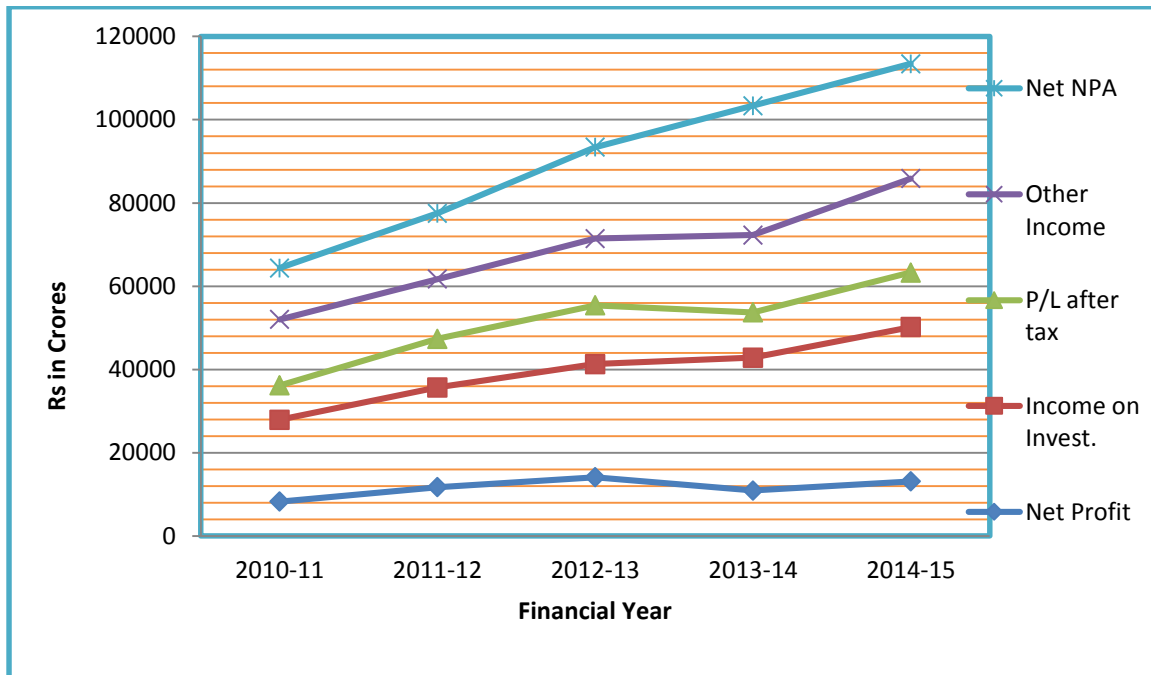
Saving Deposit of Total Deposits	0.00	0.00	0.00	0.00	0.00
Time Deposit of Total Deposits	0.00	0.00	0.00	0.00	0.00
Deposits within India as % to Total Deposits		100.00	93.96	94.11	94.99
Deposits Outside India as % to Total Deposits		0.00	6.03	5.88	5.00
PER BRANCH RATIOS					
Operating Income Per Branch	9.33	8.59	8.08	7.56	5.94
Operating Profit Per Branch	1.07	0.94	1.09	1.29	0.77
Net Profit Per Branch	0.80	0.69	0.95	0.83	0.60
Personnel Expenses Per Branch	1.44	1.42	1.24	1.20	1.11
Administrative Expenses Per Branch	0.86	0.75	0.66	0.57	0.50
Financial Expenses Per Branch	5.96	5.49	5.08	4.49	3.57
Borrowings Per Branch	12.56	11.54	11.42	9.01	8.73
Deposits Per Branch	96.54	87.87	81.18	74.03	68.18
PER EMPLOYEE RATIOS					
(Rs. in Units)					
Operating Income Per Employee	7,146,806.39	6,141,015.07	5,241,313.86	4,943,426.72	3,651,068.43
Operating Profit	818,526.72	670,632.74	709,013.20	845,979.98	471,059.48

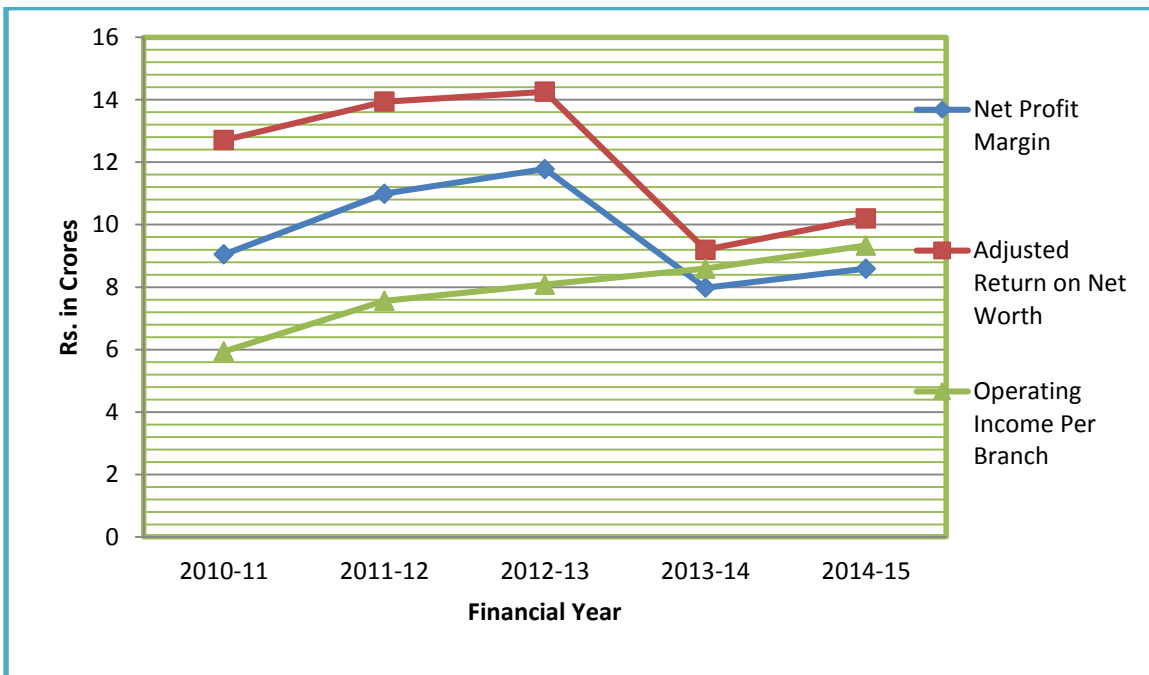
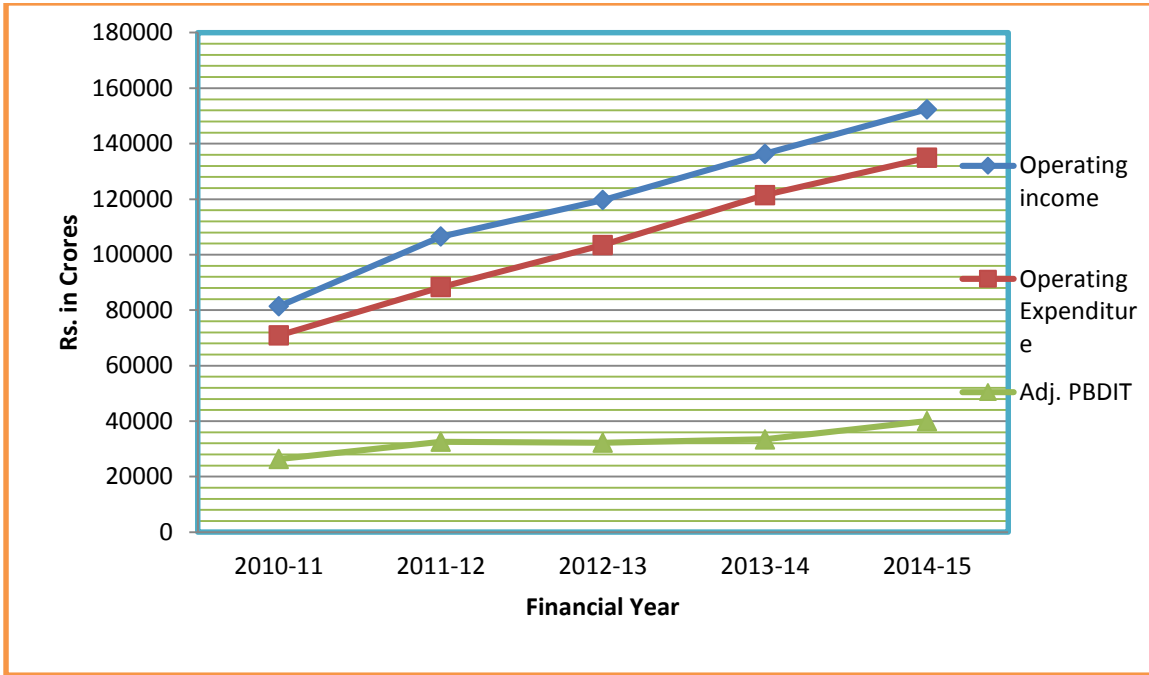
Per Employee					
Net Profit Per Employee	614,410.66	490,520.33	617,837.58	543,309.55	370,717.61
Personnel Expenses Per Employee	1,103,793.41	1,013,555.64	805,134.67	787,727.94	682,340.38
Deposits Per Employee	73,945,227.40	62,801,858.73	52,683,339.80	48,433,382.17	41,892,981.88
Fund Advances Per Employee	60,965,981.20	54,488,689.52	45,800,914.30	40,262,431.03	33,943,805.90

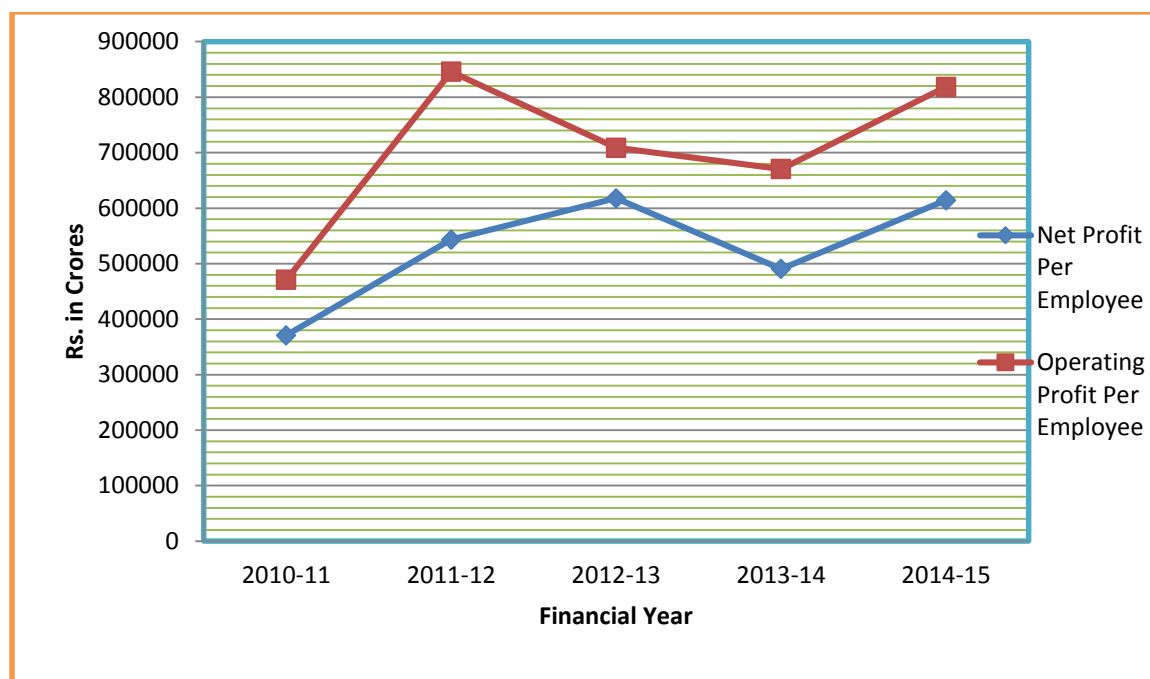
1.4 Share Holdings

Share Holding Pattern as on :	30/09/2015		30/06/2015		31/03/2015	
Face Value	1.00		1.00		1.00	
Share Holder	No. Of Shares	% Holding	No. Of Shares	% Holding	No. Of Shares	% Holding
	PROMOTER'S HOLDING					
Foreign Promoters	0	0.00	0	0.00	0	0.00
Indian Promoters	4671634652	60.18	4475075262	59.15	4374598250	58.60
Person Acting in Concert	0	0.00	0	0.00	0	0.00
Sub Total	4671634652	60.18	4475075262	59.15	4374598250	58.60
	NON PROMOTER'S HOLDING					
	Institutional Investors					
Mutual Funds and UTI	427454895	5.51	398229546	5.26	399125194	5.35
Banks Fin. Inst. and Insurance	995672277	12.83	987168011	13.05	997390316	13.36
FII's	805077861	10.37	873268723	11.54	874764937	11.72
Sub Total	2228205033	28.70	2258666280	29.85	2271280447	

3. Graphical Analysis







4. Role of S. B. I. in Indian Economy

Banking system plays a very significant role in the economy of a country. It is central to a nation's economy as it caters to the needs of credit for all the sections of the society. Money-lending in one form or the other has evolved along with the history of mankind. Even in the ancient times, there are references to the money-lenders, in the form of *sahukars* and *zamindars* who lend money by mortgaging the land property of the borrowers.

Towards the beginning of the 20 century, with the onset of modern industry in our country, the need for government-regulated banking system was felt. The British government began to pay attention towards the need for an organized banking sector in the country and the Reserve Bank of India was set up to regulate the formal banking sector in the country. Ever since they were nationalized in 1969, banks have been playing a major role in the socio-economic life of the country. They have to act not only as purveyors of credit, but also as harbingers of social and economic development through a variety of enterprises, many of which may tiny and yet capable of generating productive energies.

India is not only the world's largest independent democracy, but also an emerging economic giant. Without a sound and effective banking system, no country can have a healthy economy. For the past three decades, India's banking system has several outstanding achievements to its credit. It is no longer confined to only the metropolitans, but has reached even to the remote corners of the country. This is one of the reasons of India's growth process.

Agriculture in India has a significant history and it is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India. Finance in agriculture is an important as development of technologies. A dynamic and growing agricultural sector needs adequate finance through banks to accelerate overall growth. Most of the credit-related schemes of the government to uplift the poorer and the under-privileged sections have been implemented through the banking sector. With the passing of the Reserve Bank of India Act 1934, there were improvements in agricultural credit. Earlier, the co-operative banks were the main institutional agencies providing finance to agriculture. But after nationalization of 14 major commercial banks, it was mandatory for them to provide finance to agriculture as a priority sector. Thus, agricultural credit acquired multi-agency dimension.

The government has allocated Rs.10000 crore to the National Bank for Agriculture and Rural Development (NABARD) for refinancing Regional Rural Banks (RRBs) to disburse short term crop loans to small and marginal farmers. The short-term crop loans scheme offers credit to farmers at 7 per cent interest rate. Besides, in order to reduce post-harvest losses, farmers are eligible to get post-harvest loans up to six months at 4 per cent interest

rate provided they keep their produce in warehouses. The rural sector in a country like India can grow only if cheaper credit is available to the farmers for their short and medium term loans. In addition, the farmers get loans for purchase of electric motors with pump, tractors and other machinery, digging wells or boring wells, purchase of dairy animals and for many other allied enterprises.

The Industrial Development Bank of India (IDBI) is the premier institution in India purveying financial assistance to the industrial sector projects. It provides direct financial assistance to the industrial concerns in the form of granting loans and advances, and purchasing or underwriting the issues of stocks, bonds or debentures. The creation of the Development Assistance Fund is the special of the IDBI. The Fund is used to provide assistance to those industries which are not able to obtain funds mainly because of heavy investment involved or low expected rate of returns. Assistance from the Fund requires the prior approval by the government. Apart from this, the IDBI even gives guidance to start a business.

In addition to the above traditional roles, banks also perform certain new age functions which could not be thought of a couple of decades ago. Today, the banking sector is one of the biggest service sectors in India. Availability of quality services is vital for the well-being of the economy. The focus of banks has shifted from customer acquisition to customer retention. With the stepping in of information technology in the banking sector, the working strategy of the banking sector has been revolutionary changes. Various customer-oriented products like internet banking, ATM services, tele-banking and electronic payment have lessened the workload of customers. The facility of internet banking enables a consumer to access and operate his bank account without actually visiting the bank premises. The facility of ATMs and credit/debit cards has revolutionized the choices available with the customers. Banks also serve as alternative gateways for making payments on account of income-tax and online payment of various bills like the telephone, electricity and tax. In the modern-day economy where people have not time to make these payments by standing in queue, the services provided by banks are commendable.

5. Conclusions

We conclude that external financing plays an important role in the achievement of high economic growth. Priorities in this context include the structural expansion of bank credit through the expansion of financial savings, and the improvement of the efficiency of financial intermediation and the allocation of financial resources. These goals will require further improvements in the efficiency of the banking sector, and the setting of loan and deposit interest rates at levels that reflect market realities. Other essential steps include a review of the statutory liquidity ratio (SLR) system and priority sector lending, and the promotion of financial inclusion. When designing financial inclusion systems, including priority sector lending, greater emphasis will need to be placed on economic rationality. To expand financial savings, it will also be necessary to focus on measures to reduce the number of informal sector enterprises, including the expansion of rural employment.

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