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Original Article

Assessment of the Financial Health of Commercial Banks in India: A Case Study of State Bank of India

Ananda Shreenivas[1], Kundan Basavaraj[2]
[1]Research Scholar, Department of commerce, Sahyadri Commerce and Management College, Constituent College of Kuvempu University, Vidyanagar, Shimoga
[2]Professor, Department of commerce, Sahyadri Commerce and Management College, Constituent College of Kuvempu University, Vidyanagar, Shimoga

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Correspondence Address:
Ananda Shreenivas, Research Scholar, Department of commerce, Sahyadri Commerce and Management College, Constituent College of Kuvempu University, Vidyanagar, Shimoga
Email: anands9036@gmail.com

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Abstract

The case study lightened on assessment of the financial health commercial banks in India specifically state bank of India widely using statistical tool Ratios. The biggest and most established public commercial banks in India is the State Bank of India. Which provides wide ranges banking services to the Indian citizens. Eight subsidiaries of this bank were merged into main State Bank of India in 2017 with motive of reducing cost and providing better services to its customers. Commercial banks are established for supporting to the commercial activities in India. Bank management and shareholders can determine the reasons for changes in deposits, assets, advances, interest expenditures, interest expended, operating income, net income, and non-performing assets over time with the use of ratio analysis. The management makes the right choice to protect shareholders and deposit holders based on the reasons. In order to analyse the State Bank of India's financial performance, a study was conducted.

Keywords: *Financial Health, Commercial Banks, Public Sector Banks, Ratio Analysis, shareholders*

Introduction

Banking sector is the most fundamental pillar of any modern economy and commercial banks cannot be spared in the modern economy where the efficient distribution of credit and mobilization of deposits is essential. The role of commercial banks in India, especially the government-owned banks, has been central in the process of promoting financial inclusion, triggering industrial growth and leading to economic growth. It is thus of essence to establish an aggressive evaluation of the financial position of these institutions to ensure the performance, viability, and sustainability of the banking system.

The current case study develops a thorough analysis of the financial health of the State Bank of India between the years 2017-18 and 2024-25. Using secondary information sourced in the successive annual reports of SBI, this analysis is carried out using the ratios format hence it will help the researcher carry out an intensive analysis of the performance of the bank over the years. The financial condition and the developmental trend of the institution can be read sensitively with the help of this analytical toolkit.

Review of Literature

1. Nagaraja, M. (2024)[10]. *A comprehensive financial analysis of SBI bank: Addressing NPA challenges and solutions.* This paper explores SBI's financial performance post-2019 with a focus on non-performing assets. SBI's profitability indicators like ROA and net margin showed consistent growth, supported by technological improvements in credit monitoring and recovery. It suggests digital governance tools for further risk mitigation.
2. Nalliboyina, S., & Chalam, G. V. (2023)[8]. *Factors determining the financial performance of public sector banks in India.* This study analyses data from 12 public sector banks over 2010–2022. It finds that net NPAs, asset size, and cost-to-income ratios negatively affect profitability (ROA, ROE, NIM), while credit risk and GDP growth have a positive effect. For SBI, the trend confirms gradual improvement in key ratios post-2020.
3. Suresh, B., & Pradhan, D. (2022)[9]. *Evaluation of financial performance of banking sector in India – A CAMEL approach.*

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Using the CAMEL model, this paper evaluates SBI and other PSBs from 2017–2021. SBI maintains strong capital adequacy, improving asset quality, and declining NPAs. These improvements enhance its financial performance, reflecting better operational and risk management strategies.

4. Rai, A. (2017)[11]. *A comparative assessment of financial health of SBI and ICICI Bank.* This comparative study of SBI and ICICI Bank uses financial ratios such as ROA, ROE, CAR, and cost-to-income ratio. It finds that while SBI shows better regulatory compliance and stability, ICICI performs better on profitability and efficiency

Research Gap

Although several studies have analysed the financial performance of Indian commercial banks, limited research has focused exclusively on long-term ratio analysis of a single leading public sector bank like State Bank of India (SBI). Moreover, there is a lack of comprehensive evaluation using multiple financial ratios, an extended 8-year period. Few studies integrate both profitability and risk-based ratios to assess financial health. This study fills the gap by offering a detailed, ratio-based, multi-dimensional financial health assessment of SBI, which can serve as a benchmark for evaluating other public sector banks.

Objectives of the study

1. The goal of the current research is to critically review the financial performance of State bank of India.

Analysis and Interpretation

To assessment of financial health of SBI. The researcher used the following ratios.

Ratio of Loan and Deposit

Loan to deposit ratio (LDR) is an essential tool of analysis used by bank managers, Regulatory authorities like RBI, financial analysts and investors.

$$\text{Ratio of Loan to Deposit} = \frac{Total\ Credit}{Total\ Deposit}$$

The indicator proves that it is efficient by gauging how well a bank uses its liquid resources in generating income by providing extended credit by determining the percentage of loans against the deposit levels. Such a metric is thus a measure of the balance between liquidity and profitability.

Table: 1 LOAN DEPOSIT RATIO

			(000 omitted)
Year	**Credit**	**Deposit**	**Loan Deposited Ratio**
2017 - 18	1934880	2706343	0.71
2018 - 19	2185877	2911386	0.75
2019 - 20	2325289	3241620	0.72
2020 - 21	2449497	3681277	0.67
2021 - 22	2733966	4051534	0.67
2022 - 23	3199269	4423778	0.72
2023 - 24	3767535	4916077	0.77
2024 - 25	4163312	5382190	0.77
Average			**0.72**

Source: SBI's Annual Report

The table shows that average LDR of SBI was 0.72 between 201718 and 202425, thus showing prudent determination of loans and liquidity. This ratio has seen a pretty narrow band of 0.71- 0.75 over the early years and levels to 0.67 during the current set of years 2019- 20 to 2021-22 owing to contraction in the economy and the COVID-19 after which there is an increase to 0.77 in 2023-24 and 2024-25 as the economy needs more credit and picks up. A relatively high LDR in the recent years is a sign of efficient usage of deposits and better profitability but on the other hand, leads to tighter risk monitoring practices. As a result, the LDR trend of SBI is at a desirable level and promotes sustainable development.

Total Deposit to Total Assets

In financial analysis, the ratio of total deposits to total assets is very often used by the scholars of the field, often referred to as the deposit-to-asset ratio. The latter ratio is calculated by the proportion of total number of deposits in a company to total number of assets of a company.

$$\text{Ratio of Total Deposit to Total Assets} = \frac{Total\ Deposits}{Total\ Assets}$$

This Ratio refers to the ratio of assets of the bank which is funded by the depositors compared to the borrowed or equity capital.

Table: 2 TOTAL DEPOSIT TO TOTAL ASSETS

			(000 omitted)
Year	**Total Deposit**	**Total Assets**	**Loan Deposited Ratio**
2017 - 18	2706343	3454752	0.78
2018 - 19	2911386	3680914	0.79
2019 - 20	3241620	3951394	0.82
2020 - 21	3681277	4534430	0.81
2021 - 22	4051534	4987597	0.81
2022 - 23	4423778	5516979	0.80
2023 - 24	4916077	6179694	0.80
2024 - 25	5382190	6676053	0.81
Average			**0.80**

Source: SBI's Annual Report

The table shows that SBI's **Total Deposit to Total Assets Ratio** averaged **0.80** over the period, indicating that **80% of the bank's assets were funded by deposits**. The ratio remained consistently stable, ranging between **0.78 and 0.82**, with the highest ratio in **2019–20 (0.82)**. This steady performance reflects SBI's strong deposit base, sound asset structure, and prudent financial management. A high and stable ratio indicates low dependence on external borrowings, reinforcing SBI's financial strength and long-term stability.

Total Assets to Total Equity Capital Ratio

Total assets divided by equity of the shareholders indicate how much a bank is funded through loans. It is therefore, a measure of leverage that is used to fund the firm.

$$\text{Ratio of Total Assets to Total Equity Capital} = \frac{\textbf{\textit{Total Assets}}}{\textbf{\textit{Total Equity Capital}}}$$

No one best benchmark exists as compared analysis has been shown to be a useful way to compare capital structure against other companies. The equilibrium multiplier-or the ratio of levels of total assets and equity can give us an idea of how financing is allocated, a higher value, a greater share of financing assets is funded through debt, than equity, which simply means that more of the firm value is financed by creditors, as opposed to the owner of the firm. Thus, investors are subject to relatively greater risk.

Table: 3 TOTAL ASSETS TO TOTAL EQUITY CAPITAL

			(000 omitted)
Year	**Total Assets**	**Total Equity**	**Total Assets to Total Equity Capital Ratio**
2017 - 18	3454752	232007	14.9
2018 - 19	3680914	220913	16.7
2019 - 20	3951394	232007	17.0
2020 - 21	4534430	230297	19.7
2021 - 22	4987597	280088	17.8
2022 - 23	5516979	327608	16.8
2023 - 24	6179694	377246	16.4
2024 - 25	6676053	441162	15.1
Average			**16.8**

Source: SBI's Annual Report

The above table reveals that, Over the 8 years of study, the Total Assets-to-Total Equity Capital Ratio of SBI stood at 16.8 which was an indication that per 1 of equity, the bank possessed around 16.8 of assets. This ratio was at its peak of 19.7 in the current year 2020-21 reflecting more financial leverage and the lowest in the last seven years being 14.9 in 2017-18. This trend shows that SBI has been able to use the equity capital in an effective way to grow its asset base. The higher the ratio, the more likely to be an indication of better utilisation of the assets, albeit higher the financial risk. However, the overall moderate level of the bank leverage suggests a rather balanced approach balancing its growth, the level of capitalisation in terms of equity, and related risks transformation.

Ratio of Return on Equity Capital

The ratio of returns on the equity capital (ROE) is a profitability-based measure which measures how every rupee of common stockholders' equity generates net income. As a result, a 100 percent repayment of exactly one means one rupee of profit is coming in each rupee invested by common stockholders.

$$\text{Return on Equity Capital Ratio} = \frac{\textbf{\textit{Net Income}}}{\textbf{\textit{Total Equity Capital}}}$$

Due to the fact that this measure considers the efficiency of managers in distributing capital, this measure is common among potential investors who determine the ability of the legal entity to turn the share capital into performance.

Table: 4 RETURNS ON EQUITY CAPITAL RATIO

			(000 omitted)
Year	**Net Income**	**Total Equity**	**Return on Equity Capital Ratio**
2017 - 18	-6547	232007	-0.03
2018 - 19	862	220913	0.00
2019 - 20	14488	232007	0.06
2020 - 21	20410	230297	0.09
2021 - 22	31675	280088	0.11
2022 - 23	50232	327608	0.15
2023 - 24	61076	377246	0.16
2024 - 25	70900	441162	0.16
Average			**0.09**

Source: SBI's Annual Report

It can be observed in the table that the average Return on equity (ROE) of SBI over the 8-year move was on an average, 9% which represent moderate levels of profitability on the percentage of equity of the shareholders. The negative ROE (-0.03) experienced by the bank in 2017-18 indicates poor performance in its financial activities, and this is possible because a net loss was realized in 2017-18. Between 2018-19 and 2020-21, there had been a slow but steady improvement in ROE with an improvement rate of 0.00 in 2020-21 indicating an improvement in the profitability. A major uptrend can be also noted since 2021-22 and it can be appeared that ROE reached the level of 0.11 and that it reaches its peak of 0.16 in the 2023-24 and 2024-25. The increasing trend indicates a better net income and the improved use of equity capital. On the whole, the data indicates that SBI has improved its profitability position over the past several years, which means efficient deployment of equity and good financial health.

Interest Expenses to Operating Income Ratio

Interest is the compensation given on the amount deposited in the customer accounts under schemes like the Fixed Deposit and the Savings Bank Account.

$$\text{Interest Expenses Ratio} = \frac{\textbf{Interest Expenses}}{\textbf{Total Operating Income}}$$

Table: 5 Interest Expenses to Operating Income Ratio			
			(000 omitted)
Year	**Interest Expense**	**Operating Income**	**Return on Equity Capital Ratio**
2017 - 18	145646	54075	2.7
2018 - 19	154520	53875	2.9
2019 - 20	159239	61917	2.6
2020 - 21	154441	70014	2.2
2021 - 22	154750	75292	2.1
2022 - 23	187263	83713	2.2
2023 - 24	255255	93797	2.7
2024 - 25	295524	110579	2.7
Average			**2.5**

Source: SBI's Annual Report

The above Table depicts that, the average ratio of the Interest expenses to the Operating income of the State Bank of India (SBI) over the indicated period (2017-18 to 2024-25 FY) was 2.5, and thus the interest expense was about 2.5x the operating income. This over-population ratio was highest in fiscal year 2018-19 at 2.9 and fell into 2.1-2.2 in both financial year 2020-23 and increased to 2.7 in 2023-25. Such trends explain why SBI must be very keen on the amount spent on interest charges to uphold operational effectiveness and profitability.

Profit Margin Ratio

The ratio of return on sales which is also known as gross profit ratio is a measure of amount of profitability using the net income and net sales of a firm. The analysis of bank performance is placed on how effectively the institution regulates operating expenses, the situation that influence its ability to turn operating income into net income.

$$\text{Profit Margin Ratio} = \frac{\textbf{Net Income}}{\textbf{Total Operating Income}}$$

Table: 6 Profit Margin Ratio			
			(000 omitted)
Year	**Net Income**	**Operating Income**	**Return on Equity Capital Ratio**
2017 - 18	-6547	54075	-0.1
2018 - 19	862	53875	0.0
2019 - 20	14488	61917	0.2
2020 - 21	20410	70014	0.3
2021 - 22	31675	75292	0.4
2022 - 23	50232	83713	0.6
2023 - 24	61076	93797	0.7
2024 - 25	70900	110579	0.6
Average			**0.3**

Source: SBI's Annual Report

The above Table inferred that, the average value of the Profit Margin Ratio of SBI between 2017-18 and 2024-25 is 0.3 and this shows an upward trend in the overall profitability of the bank over the time. This ratio was negative in 2017-18 (-0.1) due to the occurrence of losses but in 2018-19 it was almost at zero showing low earning efficiency. The ratio started to rise steadily since the academic year 2019-20 when the figure stood at 0.5, but it surged to 0.6 in 2022-23 with its growth maintained even in 2024-25. Such trend implies better cost control, increase in the income and an overall intensification of financial performance of SBI.

Net Interest Margin Ratio

Net Interest Margin (NIM) is a measure of profitability that has become very common in use by banks, to assess investment decision and to monitor degree of success of their lending business. In particular, the measure indicates how much interest a bank gets over a loan and how much it should pay the creditors.

$$\text{Net Interest Margin Ratio} = \frac{\textbf{Investment Income} - \textbf{Interest Expenses}}{\textbf{Total Assets}}$$

Table: 7 Net Interest Margin Ratio				
			(000 omitted)	
Year	**Interest Earned**	**Interest Expended**	**Total Assets**	**Net Interest Margin Ratio**
2017 - 18	259664	145646	3454752	0.033
2018 - 19	279644	154520	3680914	0.034
2019 - 20	296329	159239	3951394	0.035
2020 - 21	307107	154441	4534430	0.034
2021 - 22	316021	154750	4987597	0.032
2022 - 23	368719	187263	5516979	0.033
2023 - 24	466813	255255	6179694	0.034
2024 - 25	524172	295524	6676053	0.034
Average				0.034

Source: SBI's Annual Report

It was apparent from the above table, during the years 2017-18 to 2024-25, the Net Interest Margin (NIM) Ratio of SBI was observed at the average of 0.034, which represents a quite steady trend in the interest income against the total assets. This ratio was located in a narrow range between 0.033 and 0.035 that shows that the bank managed its assets and liabilities concerning the interest generation effectively. This constant trend demonstrates the proper interest-spread strategy and efficient asset use in SBI making this organization very sustainable in terms of allowing its profitability with time.

Npa to Advance Ratio

Non-performing asset (NPA) ratio is used as a measure of overall credit-quality profile of portfolio of banks. An NPA is a loan where the payments of its interest are outstanding more than 90 days. The loans that fit this definition are added to each other and serve as gross NPAs. The cumulative balance of provisions made up to the reporting date is deducted in order to give net NPAs on gross NPAs.

$$\text{Non-Performing Asset Ratio} = \frac{\textbf{Net Non-Performaning Asset}}{\textbf{Advance}}$$

Non-performing assets (NPAs) are those accounts in which there is repayment or repayment of interest of defaulted and over a long period of time. After a financial asset has stopped giving lender income, it will be defined as an NPA. Using empirical literature, the individual loan-to-deposit ratios, loan spreads, non-performing loan ratios are all positively correlated with NPAs, with all other variables in general being inversely correlated to the previous, including bank size, capital adequacy, and provision coverage ratios.

Table: 8 NPA TO ADVANCE RATIO			
			(000 omitted)
Year	**NET NPA**	**ADVANCE**	**NPA TO ADVANCE RATIO**
2017 - 18	110855	1934880	0.057
2018 - 19	65895	2185877	0.030
2019 - 20	51871	2325289	0.022
2020 - 21	36810	2449497	0.015
2021 - 22	27966	2733966	0.010
2022 - 23	21467	3199269	0.007
2023 - 24	21051	3767535	0.006
2024 - 25	19667	4163312	0.005
Average			**0.019**

Source: SBI's Annual Report

Above table explores that, throughout the period being considered, the NPA-to-Advance Ratio has shown a decreasing trend as it started with a value of 0.057 in the year 201718 and reached a low of 0.005 in the year 202425. The latter portrays a much better quality of assets. The average ratio taken over the whole period stood at 0.019, which testified that the credit-risk management and recovery efforts of the bank were not only formidable but also effective.

Suggestions:

1. Average Loan to Deposit ratio of 0.72, It slightly below the ideal range. It missing out potential interest income, it affecting to the profitability of SBI.
2. Average ratio of Deposit to asset was 0.80 is generally viewed as ideal for ensuring stability, Liquidity and efficient asset utilization. Bank should concentrate to keep as it is.
3. Average ratio of Total assets to Total Equity is 16.8, it indicates relatively high leverage. It is risky, but it may enhance returns because SBI has stayed at stable period. However, bank should strengthen its equity.
4. Continue to improve cost efficiency and loan recovery mechanisms to preserve margin during economic changes.

Conclusion:

A critical analysis of the financial performance of the State Bank of India in the eight-year period (2017-18 to 2024-25) shows that the bank has been running its business efficiently and stably. This is proved by the Loan-to-Deposit Ratio which averaged 0.72, the Total Deposit to Total Asset Ratio (0.80) and Total Asset to Equity Capital Ratio (16.8) which all indicate prudent lending, great deposit mobilisation and an excellent capital leverage. The Net Interest Margin stands at 3.4 % implying an exceptional profitability on the basis of core businesses. All these indicators are in agreement that SBI is financially stable and meets the demands of the regulating bodies, and is in a good position to grow sustainably.

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Conflicts of Interest
The authors declare that there are no conflicts of interest regarding the publication of this paper.

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