

Study on Working Capital Management of State Bank of India

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Abstract: *This study has been carried out to evaluate working capital management of SBI. The State Bank of India is the biggest commercial bank in the country with the largest number of branches and offices in India and abroad. Since its nationalisation in 1955, its working reveals that it has made tremendous progress in deposits, advances, rural credit, industrial finance, priority sectors, merchant banking, mutual fund, housing finance, factoring etc. Effective working capital management is crucial for any kind of business. A company's capacity to pay short-term debts and daily operational expenses will be reflected in its financial management decisions. The main purpose of the study is to identify the impact of Working Capital Management on profitability of SBI Life based on secondary data were collected from Annual financial statements for the years from 2019 to 2021. The business was evaluated by analyzing, interpreting the financial statements of the SBI Life with the help of Ratio Analysis, changes in Working capital. In terms of profitability the organization need to use return on assets to measure their Solvency position and efficiency.*

Keywords: Working capital Management, SBI bank, financial Performance

I. INTRODUCTION

The Banking Regulation Act of 1948's definition of banking helps us to conclude that operating a banking business is not a simple task. Effective working capital management is a crucial responsibility of a bank in order to manage the complex process and maintain easy operations. Since a business's working capital is its operational liquidity. It should not be too or insufficient. Working capital management strategies of a firm greatly affect the benefit, liquidity, and design soundness of the association. A fundamental objective of working capital management is to deal with the current resources and current liabilities of the firm so that a palatable degree of working capital is kept up with. Working capital is defined as follows by the American Institute of Certified Public Accountants' Accounting Principles Board in the USA: "Working capital, also known as net working capital, is identified as the relatively liquid portion of total enterprise capital that constitutes a margin or reserve. It is represented by the excess of current assets over current liabilities. Reserve for maturing debts throughout the regular business cycle. Working capital means the fund available for day to day operations of an enterprise presents the excess of current assets over current liabilities. It is concerned with the problem that arises in attempting to manage the current assets, the current liabilities and the inter-relationships that exist between them. To stay away from issues, associations need to use sound decisions which crossover between how current assets and current liabilities are utilized. The reason behind the working capital management is to guarantee that adequate money is accessible to meet everyday income needs, pay wages and pay rates when they fall due, pay creditors to guarantee proceeds with provisions of labour and products, pay government tax assessment and supplier of capital-profits and guarantee the long-term endurance of the business organisation.

OBJECTIVES OF THE STUDY

- To study how best the working capital is utilized in the SBI Bank.
- To understand working capital management of a SBI Bank.
- To study the changes in working capital position of the SBI Bank.
- To provide adequate support for the smooth functioning of normal business operations of SBI Bank.

METHODOLOGY OF THE STUDY

This study is based on secondary data. The rating is based on the liquidity to profitability ratio, which can be calculated using SBI's financial statements. All related to State Bank of India Auditors Reports, Internet, Books and more.

This study uses a descriptive research design.

Research design involves collecting data from secondary sources. Secondary data is obtained from annual Reports of SBI, corporate websites and databases such as google scholar.

DATA ANALYSIS AND INTERPRETATION:

The current study's focus is restricted to the working capital management of the State Bank of India and its effect on SBI's financial standing. Students' ability to think critically and independently is enhanced by the study. Abilities and the juniors can use it as a source of information for their pertinent research project. Assets over current obligations is known as working capital. The conventional definition of working capital is the excess of current liabilities over current resources. In this way, it is claimed that a very little amount of current resources consistently determine the fate of enormous scope interest in fixed resources. Although working capital can save a company, there is a slim possibility that it won't work. Thus, a business has to have enough operating cash.

WORKING CAPITAL

Working capital is the overabundance of current assets over current liabilities. Working capital has customarily been characterized as the overabundance of current resources over current liabilities. It is in this manner that it is said that the destiny of huge scope interest in fixed resources is regularly controlled by a generally limited quantity of current resources.

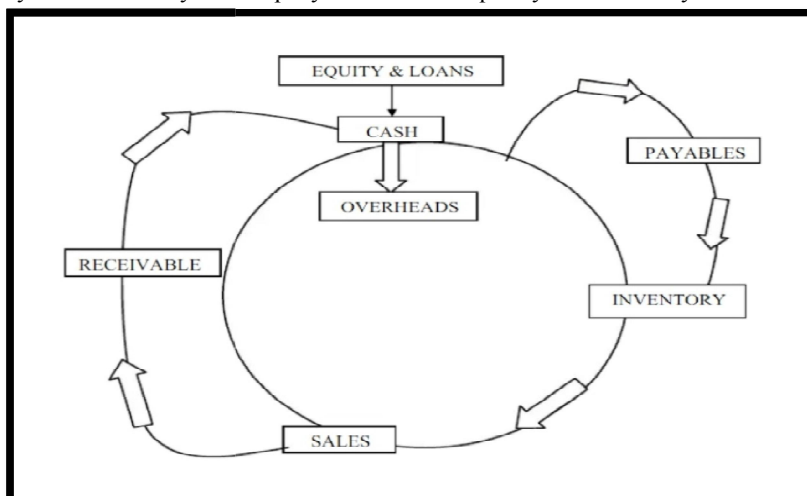
$$\text{WORKING CAPITAL} = \text{CURRENT ASSET} - \text{CURRENT LIABILITIES}$$

Working capital management refers to managing the working capital of an enterprise. By calculating the current assets and current liabilities, net working capital can be overseen which is needed for working capital management. This ensures the availability of ample funds at the time of need.

II. WORKING CAPITAL CYCLE

Working Capital Cycle (WCC) is the time it takes to convert net current assets and current liabilities (e.g. purchased stock) into cash. A long cycle means tying up capital for a longer time without earning a return. Short cycles allow your business to free up cash faster and to be more agile.

It would be quite easy to comprehend your financial status if all of the transactions your organization engages in happen on the same day. In actuality, though, there's usually a lag time between buying assets, selling stock, or rendering a service, and getting paid for your products or labor. Because of the potential impact on cash flow, it's critical to manage the working capital cycle to increase your company's short-term liquidity and efficiency.



Secondary source

It's the amount of time that passes between when money is spent on producing an item and receiving various amounts of money from a customer. There are two degrees to each of the following: time and money: inventory, receivables, and payables. Time truly is money when it comes to managing working capital. If you can get cash to flow through the cycle more quickly that is, collect past-due amounts from borrowers or reduce the amount of cash restricted that is, lower the inventory level relative to sales. Either the company will generate more revenue, or it should take on less debt to fund working capital.

As a result, we may be able to lower the cost of bank income or have more readily available free cash to support the growth of transactions, development, or speculation.

WORKING CAPITAL MANAGEMENT OF SBI

To analyse working capital management, we need to know the working capital of SBI. So, to determine the working capital we need to analyse the total current assets and the total current liabilities. Then we have to subtract them.

CALCULATION OF CURRENT ASSET OF SBI FROM BALANCE SHEET OF SBI :

Particular	March 2020 (In USD)	March 2019 (In USD)
Cash & Cash Equivalents	37,669,727	70,698,904
Loan & Advances To Bank	21,301,184	103,239,935
Loan & Advances To Customer	480,676,141	279,108,746
Investment Securities	109,471,373	148,714,650
Total Current Asset	649,118,426	601,762,235

Current asset of state bank of India in 2019 is 601,762,235 (in USD) and in 2020 is 649,118,426 (in USD). Total Current Asset increase in 2020 by 7.87% that it 47,356,191 (in USD). It shows positive increase in current asset of SBI.

CALCULATION OF CURRENT LIABILITIES OF SBI FROM BALANCE SHEET OF SBI :

Particular	March 2020 (In USD)	March 2019 (In USD)
Deposits From Customer	438,352,611	484,045,968
Other Borrowed Funds	71,500,000	46,089,650
Subordinates Liabilities	6,817,208	8,082,246
Current Tax Liability	1,345,589	673,195
Total Current Liability	518,015,408	538,791,059

In the above table shows current liabilities in financial year 2020 -2019. Current liabilities decreased by -96.73% in 2020 by 538,791,059 (in USD) to 518,015,408 .

NETWORKING CAPITAL AND CURRENT RATIO OF SBI :

Particular	2019	2020
Current Asset	601,762,235	649,118,426
Current Liabilities	538,891,059	518,015,408
Net Working Capital	62,871,176	131,103,018
Increase	-	68,231,842
% Increase	-	108.53%
Current Ratio	1.1	1.3

FINDINGS OF THE STUDY

Here the current ratio for both the years is more than 1; So, the company can easily meet the short-term liability. 2020 has a solid current ratio of 1.2 -2, indicating that the business has made effective use of its working capital. Working capital expanded due to augment in the current assets rather than expansion in the current liabilities. The company's current assets have influenced the benefit of the organisation as it was in every case more than necessity. More current assets segments show that sundry debtors have a significant part in current assets which shows the efficient management of wasteful receivables. Overall the organization has a great liquidity position and adequate assets to reimbursement of liabilities, however, the company has acknowledged a moderate monetary approach to keeping up with more current resources balance.

III. CONCLUSION

A big component of financial management is working capital management. The current proportion is growing, according to the State Bank of India's working capital management examination. The working capital administration examination will help the firm manage its working capital in a profitable and efficient manner. All things considered, the organization has excellent liquidity and sufficient assets to cover its responsibilities. The organization has accepted traditionalist financial arrangements and is, thus, maintaining a more modern resource balance. Every year, the organization grows the volume of agreements it does, which is a testament to its support for continued existence in India. According to this analysis, the State Bank of India's general working capital (WC) has increased by more than 100% in recent years. This is a crucial trend that provides a solid framework for the organization's health.

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