

A Study of Working Capital Management of the SBI Post Covid 2019

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Abstract - The efficient management of working capital in an important prerequisite for the successful working of a business concern it reduces the chances of business failure generates a feelings of security and confidence in the minds of personnel in the organization it assurance solvency of steady of organization. Working capital management is the fictional area of fiancé that covers all the current account of the firm. Working capital management involves the relationship between a firms short term asserts and its short term liabilities the goal of working capital management is to ensure that a firm is able to continue it's a operations and that it has sufficient ability to satisfy both maturing short term debt and upcoming operational expenses. Covid -2019 has effected badly on the financial management of all the sectors of the economy all over the globe. The banking sector is also facing a problem in its operations in the recovery of loans and other areas due the adverse impact of lock down on the employability and the business operations of the general public, which brought down the survival of the people has become an addressing problem all over the globe. The banks have too, given a moratorium of six months on loan repayment to support the public for their existence and livelihood. This article is focused on working capital management of State bank of India which is public sector bank having large volume of operations in India and also has branches internationally post covid 2019.

Index Terms – Working capital, liquidity, routine business operations, efficient management, state bank of India.

INTRODUCTION

Working capital management is the management of the short-term investment and financing of a company. Working capital management is significant in financial management due to the fact that it plays a private role in keeping the wheels of a business enterprise running. Working capital management is concerned with short term financial decisions. One of

the most important areas in day-to-day management of the firm is the management of working capital.

This article is focused on working capital management of State bank of India which is public sector bank having large volume of operations in India and also has branches internationally post covid 2019.

REVIEW OF LITERATURE

Working Capital Definition:

Working capital management (WC) can be defined in simple words as that part of the total capital which is required for daily working of business. It is the capital with which is the business is worked over. According the subbing working capital is the amount of funds necessary to cover the cost of operating the enterprises.

The term working capital is also defined as “Excess of current assets over current liabilities”.

1.Gross working capital (GWC):

When the term working capital is used to donate the total current assent it is stated as gross working capital.

2.Net working capital (NWC):

When the term working capital is used to donate the net current assets

3.Permanent working capital (PWC):

It is the minimum amount of the current assets which are needs to conduct the business even during the dullest season of the year. It is represents the current assets which are required on a continuing basis over the year.

4.Temporary working capital (TWC):

It represents the additional assets which are required at different time during the operating year.

5.Negative working capital:

It emerges when current liabilities exceed currents assets such a situation is absolutely theoretical and

occurs when a firm is nearing a crisis of some magnitude.

6. Working capital management(WCM):

It is the management of short-term financing requirement of a firm. This includes maintaining optimum balance of working capital components receivable inventory and payable and using the cash efficiency for day-to-day operations it also defines the management of current assets and current liabilities to maximize short term liquidity.

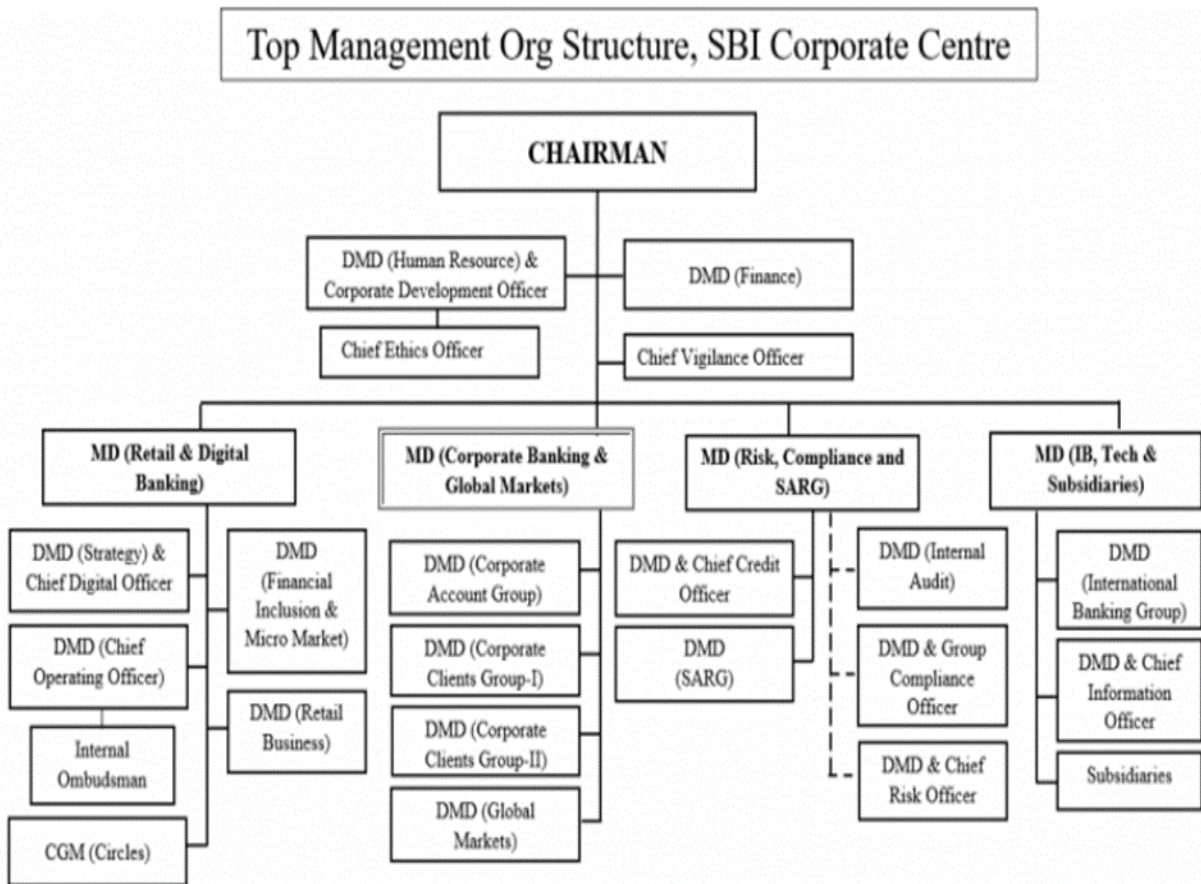
The main objective of the working capital management is to maintain an optimal balance between each of the working capital components. In reality management of working capital has become one of the most important issues in the organizations where many financial executive are trying to identify of working capital and the basic deter optimal level of working capital.

WORKING CAPITAL MANAGEMENT OF SBI

SBI's roots can be traced back to the first bank of India, the bank of Calcutta, which was founded in 1806. However, SBI's direct predecessor was the Imperial Bank of India. The state Bank of India arose as a pacesetter, with its tasks completed by the 480 workplaces, and three local head officers, acquired from the imperial bank. Rather than filling in as simple archives of the local area's reserve funds and loaning to reliable gatherings, the State Bank of India obliged the requirements of the clients, by banking deliberately. The bank served the heterogeneous monetary necessities of the arranged financial turn of events.

ORGANIZATIONAL STRUCTURE

The organization structure of SBI is very strong. There are other private financial banks that were in a difficult situation in light of overburden and in the meantime SBI was dealing with multiple times of responsibility. You can discover SBI branches and ATMs in regions we won't anticipate that they should be there.



Products And Services

Individual banking

1. SBI Term Deposits
2. SBI Loan for pensioners,
3. SBI Recurring Deposits Loan Against Mortgage of Property,
4. SBI Housing Loan Against Shares and Debentures,
5. SBI Car Loan Rent Plus Scheme,
6. SBI Educational Loan Medi-plus scheme.

DATA ANALYSIS

Working capital management of SBI is analysed with the help of Balance sheets of SBI from 2016-17 to 2020-21. The analysis is made on the basis of published annual reports of SBI. Liquid components and performance indicators are considered to study covid-19 impact on working capital management and its post covid-19 performance.

1. Cash and bank balances with RBI

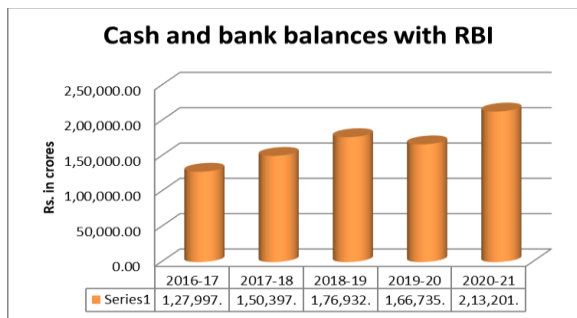


Fig-1

Fig-1 indicates that cash balances are decreased in 2019-20. It may be due to covid. However, it improved its balances in 2020-21.

2. Balances with banks and money at call & short notice

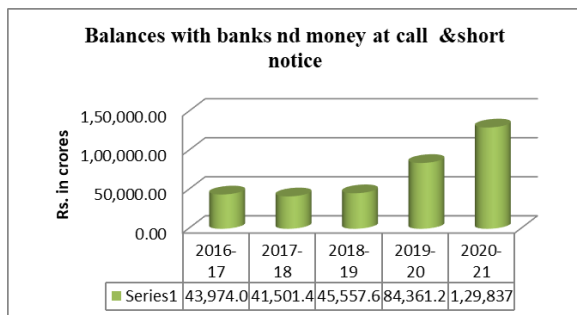


Fig-2 shows that the liquidity position of the bank is good.

3. Investments

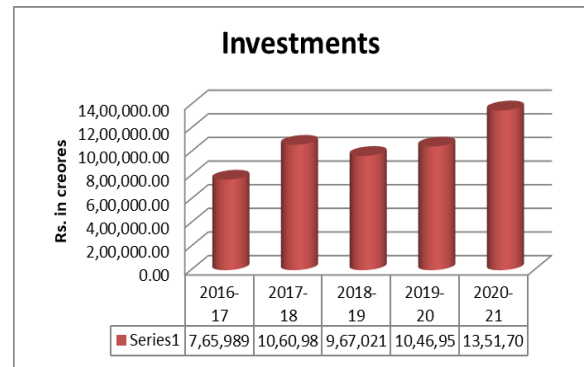


Fig-3

Fig-3 Represents those investments are fluctuating. However, they are high in the financial year 2020-21.

4. Advances

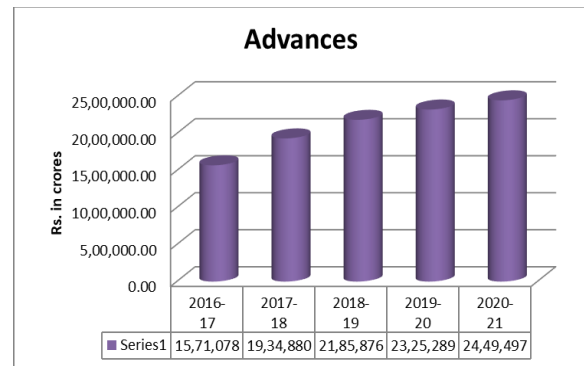


Fig-4

Fig-4 indicates that advances are in increasing year by year. It indicates the efficient management of funds.

5. Deposits

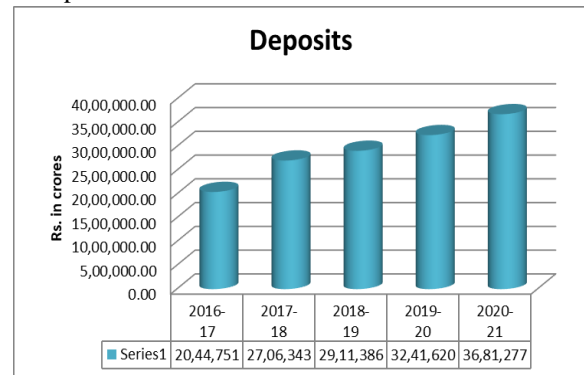


Fig-5 shows that the deposits are good. Covid-19 did not have impact on deposits as they are increasing year by year.

6. Borrowings

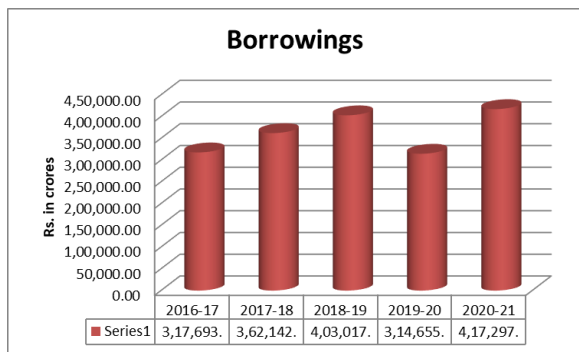


Fig -6

Fig-6 shows that Borrowings are comparatively

7.Capital adequacy ratio-It is a measure of how much capital is available in the bank.

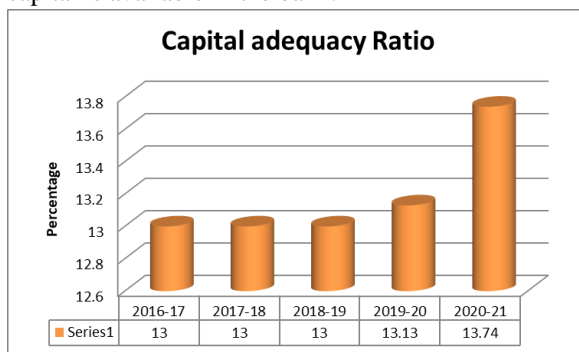


Fig-7

Fig-7 shows that SBI has adequate capital for running its operations. It is comparatively very high in the year 2020-21.

8.NET NPA- It indicates less allowances for poor and uncertain debts than the amount of non-performing loans.

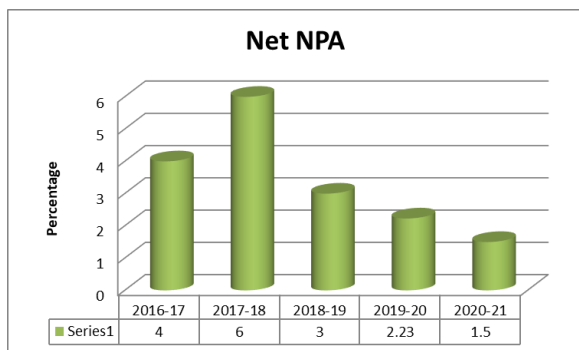


Fig-8

Fig-8 shows that net NPA is lowest in 2020-21 comparatively of all years. It is taking utmost care to minimise non-performing assets.

9. NPA to Advances: NPA is measured as percentage of advances as it is based on repayments from customers.

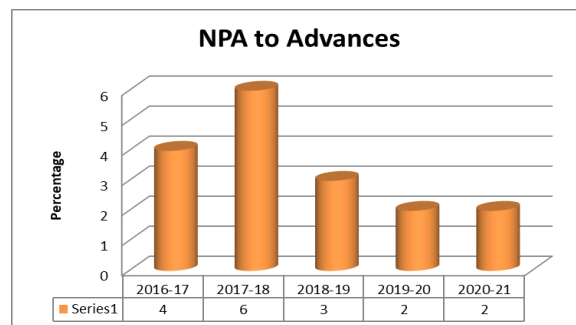


Fig-9

Fig-9 NPA to advances are lowest during covid and post covid periods when compared to earlier years.

10.KEY PERFORMANCE INDICATORS: Tier I indicates the impact of performance on market price per share. Tier II performance is measured benefits associated with costs.

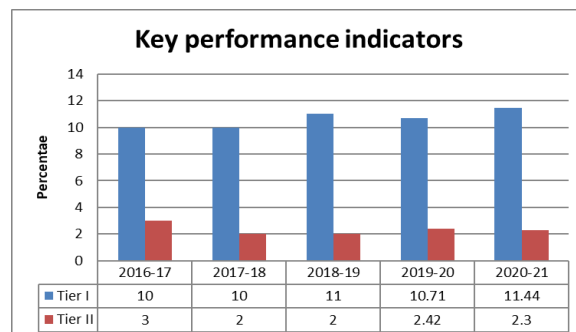


Fig- 10 indicates that tier I results are in increasing trend. Market price per share of SBI is also good. However, the key factors of tier II needs attention.

OBSERVATIONS

- The liquidity position of the company is good during and post covid-19 periods.
- The provision for NPA is good.
- Percentage of NPA to Advances is lower comparatively to previous years and continued the same during 2019-20 & 2020-21.

CONCLUSION

Working capital management is a significant part of monetary administration. The investigation of working capital management of State Bank of India has uncovered that the current proportion is in an

expanding pattern. The examination has been led on working capital administration which will assist the organisation with dealing with its working capital productively and viably. Overall, the organisation has a great liquidity position and adequate assets to reimbursement of liabilities. Organisation has acknowledged traditionalist monetary arrangement and hence keeping up with more current resources balance. Organisation is expanding deals volume each year which is upheld to the organisation for supporting it to sustain in India. From this analysis, we can see that the general working capital (WC) of the State Bank of India has expanded by in excess of 100% over the most recent years which is a critical pattern and this pattern gives a strong structure for the wellbeing of the organisation.

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	March 21	2020	2019	2018	2017
cash and Balances with Reserve Bank of India	213,201.54	166,735.78	176,932.42	150,397.18	127,997.62
Balances with Banks Money at Call and Short Notice	129,837.17	84,361.23	45,557.69	41,501.46	43,974.03
Investments	1,351,705.21	1,046,954.52	967,021.95	1,060,986.72	765,989.63
Advances	2,449,497.79	2,325,289.56	2,185,876.92	1,934,880.19	1,571,078.38
Fixed Assets	38,419.24	38,439.28	39,197.57	39,992.25	42,918.92
Other Assets	351,768.68	289,613.55	266,327.70	226,994.20	154,007.72
Capital Adequacy Ratios (%)		13.74	13.13	13.00	13.00

ASSETS QUALITY

Gross NPA	126,389.00	149,091.85	172,753.60	223,427.46	112,342.99
Gross NPA (%)	5.00	6.00	8.00	11.00	7.00
Net NPA	36,809.72	51,871.30	658,947.40	110,854.70	58,277.38
Net NPA (%)	1.50	2.23	3.00	6.00	4.00
Net NPA To Advances (%)	2.00	2.00	3.00	6.00	4.00
Deposits	3,681,277.08	3,241,620.73	2,911,386.01	2,706,343.29	2,044,751.39
Borrowings	417,297.70	314,655.65	403,017.12	362,142.07	317,693.66
Other Liabilities and Provisions	181,979.66	163,110.10	145,597.30	167,138.08	155,235.19

KEY PERFORMANCE INDICATORS

Tier 1 (%)	11.44	10.71	11.00	10.00	10.00
Tier 2 (%)	2.30	2.42	2.00	2.00	3.00