

Impact of Merger on Financial Analysis of State Bank of India

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Abstract— A bank is a financial institution which accepts deposits, clear checks, making loans and acts as the intermediary in financial transactions. The study is carries out for the period of five years (2016-2017 to 2020-2021). In India, banks play a crucial role in socio-economic process of the country after independence. The largest and oldest bank which is still in existence is the state bank of India. The tool which is used in this study is comparative analysis.

Index Terms: Financial analysis, Comparative analysis.

INTRODUCTION

The banking sector is the life line of any modern economy. The banks play a vital role in the functioning of an economy. In financial sectors, banks are one of the important financial pillars. In India the money market is characterized by the existence of both the organised and unorganised sector. The organised sector includes commercial banks, cooperative banks and regional rural banks. The unorganised sector includes indigenious bankers and private money lenders. It is very important for economic development of a country that its financing requirements of trade, industry and agriculture are met with higher degree of commitment and responsibility.

STATEMENT OF PROBLEM

Financial analysis is done for the period of merger of the state bank of india. For the effective functioning of large economies the large banks are needed. By merging banks, the limitations laike provisions, higher cost of income, higher capital can be eliminated. The state bank of india has entered mega-merger with 5 associates banks in 2015. There exists a need to analyse if there is any improvement and how this affects the merger of SBI.

SCOPE OF STUDY

This study will help us to understand the comparative analysis of State Bank Of India over the years. It will help us to determine the financial position of the bank.

OBJECTIVES

The objective of this study is to analyse the comparative financial statements of the State Bank of India over the period of 2016-2017 to 2020-2021.

RESEARCH METHOROLOGY

This study is based on secondary data which includes the balance sheet of State Bank of India. The source also includes books, journals etc.

TOOLS USED FOR ANALYSIS

1.Comparative Analysis

REVIEW OF LITERATURE

1.Ranzy.K. P (2017) “A Study On The Satisfaction Of Employees Of State Bank Of Travancore Towards Its Merger With State Bank Of India With Special Reference To Malappuram Region” This study focuses on analysing the opinion of eSBT employees towards the merger and identify the various measures taken by SBI to protect the interest of eSBT employees.

2.P. Chellasamy (2014) “Performance Evaluation of Mergers and Acquisitions of Scheduled Commercial Banks in India. It explores various motivations of Merger and Acquisitions activities in Indian banking sector. It also compared pre and post merger financial performance of merged. The study concluded that there have been no greater changes within the

profitability when pre & post merger periods are compared.

3. Damanpreet Kaur and et al (2016) “Bank merger motivation and post merger productivity” states that banks also prefer mergers and acquisitions to reap the advantages of economies of scale through reduction of costs and maximization of both economic and non-economic benefits. Bank mergers are a vertical variety of merger because all banks are within the

same line of business of collecting and mobilizing funds. In some instances, other financial institutions prefer merging with a bank just in case they supply an analogous variety of banking service. Another important factor is that the elimination of competition between the banks. This manner considerable amount of funds earlier used for sustaining competition are often channelized to grow the banking business.

STATISTICAL ANALYSIS

TABLE 1

Particulars	2016	2017	Absolute Change	Percentage Change
Equity & Liabilities				
Capital	776.28	797.35	21.07	2.71%
Reserve & Surplus	143498.16	187488.71	43990.55	30.66%
Deposits	1730722.44	2044751.39	314028.95	18.14%
Borrowings	323344.59	317693.66	-5650.93	-1.75%
Other Liabilities	163185.42	155235.19	-7950.23	-4.87%
Total Liabilities	2361526.89	2705966.3	344439.41	14.59%
Assets:				
Cash	129629.33	127997.62	-1631.71	-1.26%
Bank	37838.33	43974.03	6135.7	16.22%
Investments	575651.78	765989.63	190337.85	33.06%
Advances	1463700.42	1571078.38	107377.96	7.34%
Fixed Assets	10389.28	42918.92	32529.64	313.11%
Other Assets	144317.75	154007.72	9689.97	6.71%
Total Assets	2361526.89	2705966.3	344439.41	14.59%

By comparing the balance sheet of the financial year 2016-2017 it is found that the capital is increased by 2.71%. the total liability and total assets have been increased by 14.59%.

TABLE 2

Particulars	2017	2018	Absolute Change	Percentage Change
Equity & Liabilities				
Capital	797.35	892.46	95.11	11.93%
Reserve	187488.71	218236.1	30747.39	16.40%
Deposits	2044751.39	2706343.29	661591.9	32.36%
Borrowings	317693.66	362142.07	44448.41	13.99%
Other Liabilities	155235.19	178346.65	23111.46	14.89%
Total Liabilities	2705966.3	3465960.57	759994.27	28.09%
Assets:				
Cash	127997.62	150397.18	22399.56	17.50%
Bank	43974.03	41501.46	-2472.57	-5.62%
Investments	765989.63	1060986.72	294997.09	38.51%
Advances	1571078.38	1934880.19	363801.81	23.16%
Fixed Assets	42918.92	39992.25	-2926.67	-6.82%
Other Assets	154007.72	238202.77	84195.05	54.67%
Total Assets	2705966.3	3465960.57	759994.27	28.09%

By comparing the balance sheet of the financial year 2017-2018 it is found that the capital is increased by 11.93%. the total liability and total assets have been increased by 28.09%.

TABLE 3

Particulars	2018	2019	Absolute Change	Percentage Change
Equity & Liabilities				
Capital	892.46	892.46	0	0.00%
Reserve	218236.1	220021.36	1785.26	0.82%
Deposits	2706343.29	2911386.01	205042.72	7.58%
Borrowings	362142.07	403017.12	40875.05	11.29%
Other Liabilities	178346.65	156679.49	-21667.16	-12.15%
Total Liabilities	3465960.57	3691996.44	226035.87	6.52%
Assets:				
Cash	150397.18	176932.41	26535.23	17.64%
Bank	41501.46	45557.69	4056.23	9.77%
Investments	1060986.72	967021.95	-93964.77	-8.86%
Advances	1934880.19	2185876.92	250996.73	12.97%
Fixed Assets	39992.25	39197.57	-794.68	-1.99%
Other Assets	238202.77	277409.89	39207.12	16.46%
Total Assets	3465960.57	3691996.43	226035.86	6.52%

By comparing the balance sheet of the financial year 2018-2019 it is found that the capital is same. the total liability and total assets have been increased by 6.52%.

TABLE 4

Particulars	2019	2020	Absolute Change	Percentage Change
Equity & Liabilities				
a)Capital	892.46	892.46	0	0.00%
b)Reserve	220021.36	231114.97	11093.61	5.04%
c)Deposits	2911386.01	3241620.73	330234.72	11.34%
d)Borrowings	403017.12	314655.65	-88361.47	-21.92%
e)Other Liabilities	156679.49	171211.06	14531.57	9.27%
Total Liabilities	3691996.44	3959494.87	267498.43	7.25%
Assets:				
a)Cash	176932.41	166735.78	-10196.63	-5.76%
b)Bank	45557.69	84361.23	38803.54	85.17%
c)Investments	967021.95	1046954.52	79932.57	8.27%
d)Advances	2185876.92	2325289.56	139412.64	6.38%
e)Fixed Assets	39197.57	38439.28	-758.29	-1.93%
f)Other Assets	277409.89	297714.51	20304.62	7.32%
Total Assets	3691996.43	3959494.88	267498.45	7.25%

By comparing the balance sheet of the financial year 2019-2020 it is found that the capital is same. the total liability and total assets have been increased by 7.25%.

TABLE 5

Particulars	2020	2021	Absolute Change	Percentage Change
Equity & Liabilities				
a)Capital	892.46	892.46	0	0.00%
b)Reserve	231114.97	252982.73	21867.76	9.46%
c)Deposits	3241620.73	3681277.08	439656.35	13.56%
d)Borrowings	314655.65	417297.7	102642.05	32.62%

e)Other Liabilities	171211.06	191383.38	20172.32	11.78%
Total Liabilities	3959494.87	4543833.35	584338.48	14.76%
Assets:				
a)Cash	166735.78	213201.54	46465.76	27.87%
b)Bank	84361.23	129837.17	45475.94	53.91%
c)Investments	1046954.52	1351705.21	304750.69	29.11%
d)Advances	2325289.56	2449497.79	124208.23	5.34%
e)Fixed Assets	38439.28	38419.24	-20.04	-0.05%
f)Other Assets	297714.51	361172.4	63457.89	21.32%
Total Assets	3959494.88	4543833.35	584338.47	14.76%

By comparing the balance sheet of the financial year 2016-2017 it is found that the capital is increased by 2.71%. the total liability and total assets have been increased by 14.59%.

CONCLUSION

This study examines the financial position of State Bank of India for the period of five years. State Bank of India has established itself as the largest commercial bank of the country. According to analysis, the SBI is maintaining the required standards and running profitability. SBI's comparative statement is analysed in detail by using the balance sheet.

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WEBSITE

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