

A Study on Working Capital Management in SBI

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Abstract:

The working capital cycle can be defined as the period of time which elapses between the point at which cash begins to be expended on the production of a product and the collection of cash from a customer. Each component of working capital (namely inventory, receivable and payables) has two dimensions TIME and Money. When they comes to managing working capital TIME IS MONEY. If you can get money to move faster around the cycle (collect monies due from debtors more quickly) or reduce the amount of money tied up (e., reduce inventory level relative to sales). The business will generate more cash or it will need to borrow less money to fund working capital. As a consequence, you could reduce the cost of bank interest or you will have additional free money available to support addition sales growth or investment.

Keyword: SBI, Working Capital, Finance, Business, etc.

Introduction:

The essence of the study is that the highest valued asset of a bank in company is its working capital which constitutes the major part of total capital of the banking company. It helps to know the current condition of the bank, the total amount of its current assets, and the total amount of its current liabilities. The theoretical aspects of the study with detail relevance to bank in system, progress of commercial banks, introduction to working capital management, profile of the State Bank of India which speaks about the introduction of SBI, data analysis of SBI. Working capital management is vital in the management of the bank's current account which includes current asset and current liabilities. Working capital is of two types, gross type and net type. Working capital management is one of the important aspects of the bank's overall financial management. This is because efficiency in this area is necessary in order to ensure the bank -long term success and achieve its overall goal which is the maximization of owner's wealth.

Objective of the Study:

- The objective of the study is to know the short term financial position of SBI with working capital management.
- To gain knowledge about the system prevailing in Banks.
- To examine the efficiency of working capital management practices of state bank of India' associates.
- To test how fast the banks have been able to improve their respective level of efficiency in working capital management with respect to a targeted level.
- To provide a conceptual framework and theoretical perception about the performance of SBI Bank.
- To suggest methods for improving working capital management in Banks.

Scope of the Study:

- This study aim at providing an insight into the financial position by comparing the balance sheet of SBI Bank.
- This study confined to five years data from annual report 2017-2021, financial statements & other records of the SBI Bank.
- The study is on working capital management of selected public enterprises.
- The study of working capital management in SBI examines the effectiveness of management of working capital components, receivables & current liabilities components.
- The basic goal of working capital is to maintain the satisfactory level of working capital.
- The project has been from the angle of SBI Bank.
- Management of working capital refers to management of current assets, current liabilities & relationship between them.

Limitations of the Study:

The study conducted and done is analytical, subject to the following limitations.

- The study focuses on working capital management.
- The study is mainly carried out based on the secondary data provided in the financial statements.
- This study is based on the historical data and information provided in the annual report therefore it may not be a future indicator.
- The analysis is limited to just five years of data study from year 2017 to year 2021 for financial analysis.
- The findings of the study are based on the information retrieved by the selected unit.
- The conclusions made are based on the data collected and analyzed.

Methodology:

The Research and methodology adopted for the present study has been systematic and was done in accordance to the objective set which has been detailed as below.

Determining Source of Data:

There are two main sources of data

1. Primary data
2. Secondary data

Methods of Data Collection:

The data which is collected from published sources i.e. not originally collected of the first time is secondary data.

Secondary Data:

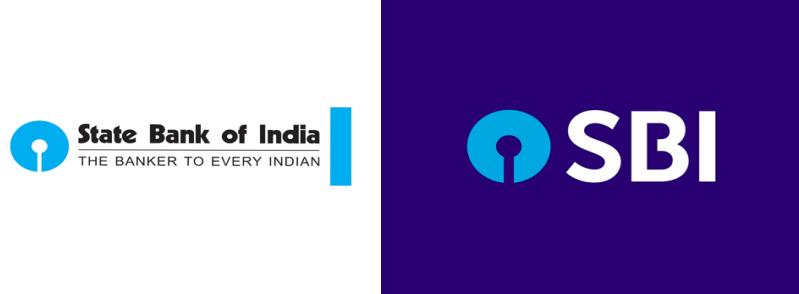
It consists of information that already exists somewhere and has been collected for some specific purpose in the study. The secondary data for this study is collected from various sources like,

- Books.

- Website.
- Financial Magazine.

Profile of the Company:

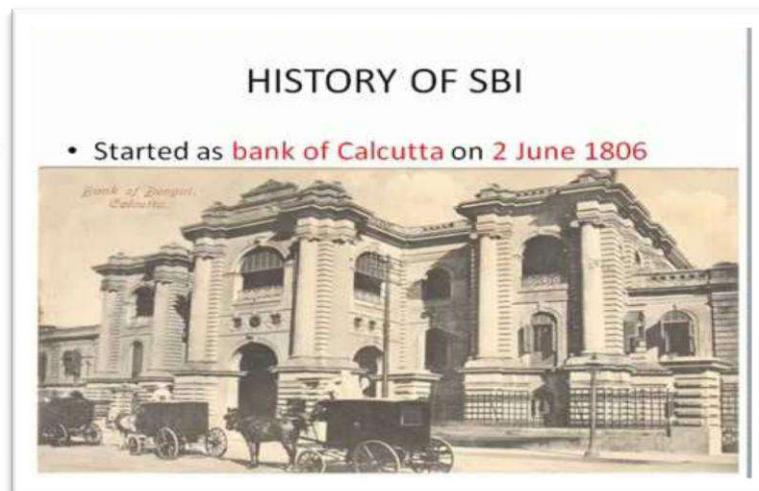
Introduction:



- The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806.
- The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal.
- Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921.
- State bank of India is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra.
- As of 2014-15, it has assets of INR 20, 48,080 crores and more than 17000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets.
- An important turning point in the history of State Bank of India is the launch of the first Five Year Plan of independent India, in 1951. The Plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Until the Plan, the commercial banks of the country, including the Imperial Bank of India, confined their services to the urban sector.
- Moreover, they were not equipped to respond to the growing needs of the economic revival taking shape in the rural areas of the country. Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of a state-partnered and state-sponsored bank.
- The State Bank of India emerged as a pacesetter, with its operation scurried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank.
- Instead of serving as mere repositories of the community's savings and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully. The bank served the heterogeneous financial needs of the planned economic development.

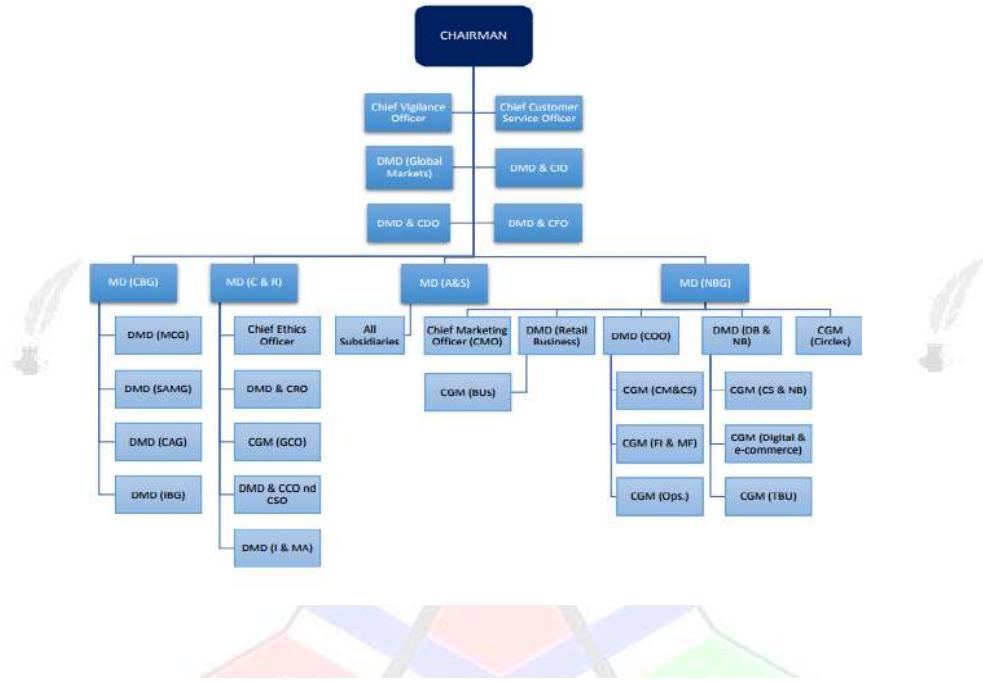
- In each bank there are 4 accounts at district level and 2 accounts at the block level.

History of Sbi Bank:



- An important turning point in the history of State Bank of India is the launch of the first five year plan of independent India, in 1951. The plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Until the plan, the commercial banks of the country, including the Imperial Bank of India, confined their services to the urban sector.
- Moreover, they were not equipped to respond to the growing needs of the economic revival taking shape in the rural area of the country.
- Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of the state- partnered and state- sponsored bank.
- The All India Rural Credit Survey Committee proposed the takeover of the Imperial Bank of India, and integrating with it, the former state- owned or state- associated banks.
- Subsequently, an Act was passed in the Parliament of India in May 1955. As a result, the State Bank of India was established on 1 July 1955. This resulted in making the State Bank of India more powerful because as much as quarter of the resources of the Indian banking system were controlled directly by the State.
- Later on, the State Bank of India Act was passed in 1959. The Act enabled the State Bank of India to make the eight former State- associated banks as its subsidiaries.
- The State Bank of India emerged as a pacesetter, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank.
- Instead of serving as mere repositories of the community's savings and leading to creditworthy parties, the State Bank of India catered and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully.
- The bank served the heterogeneous financial needs of the planned economic development.

Organisational Structure of Sbi Bank:



Vision:

- Retain its position in the country as pioneers in Development banking.
- Maximize the shareholders value through high-sustained earnings per Share.
- Good work environment and continues learning opportunities.

Mission:

- To retain the Banks position as premiere Indian Financial Service Group, with world class standards and significant global committed to excellence in customer, shareholder, employee satisfaction and to play a leading role in expanding and diversifying financial service sectors while containing emphasis on its development banking rule.

Values:

- Excellence in customer service Profit orientation.
- Belonging commitment to Bank.
- Risk taking and innovative.
- Learning and renewal.

Critical Analysis:

How to Analyze Working Capital

The process of analysis of working capital is a three step process. This process is included the followings:-

Step 1:

- The first step of analyzing of working capital begins by determining current assets.
- Current assets are comprised of cash, marketable securities, accounts receivable and current inventory.
- The sum of the total value of each of the above is called the current assets2.

Step2:

- The second step is determining of current liabilities.
- Current liabilities include accounts payable, accrued expenses, notes payable and the portion of long-term debt that is classified as current.
- The sums of all of these above mention accounts are called current liabilities figure.3.

Step3:

- Take the total of the current assets and subtract them from the current assets.
- The result will be the working capital.
- In other words, current asset minus current liabilities equals to working capital.

Current Assets:

- Current Asset is a balance sheet item which equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than one year. A company's creditors will often be interested in how much that company has in current assets, since these assets can be easily liquidated in case the company goes bankrupt.
- In addition, current assets are important to most companies as a source of funds for day-to-day operations.
- In accounting, a current asset is an asset on the balance sheet which is expected to be sold or otherwise used up in the near future, usually within one year, or one operating cycle whichever is longer.
- Typical current assets include cash, cash equivalents, accounts receivable, inventory, the portion of prepaid accounts which will be used within a year, and short-term investments.

Current Assets:

Cash + Bank + Debtors + Bills Receivable + Short Term Investment + Inventory + Prepaid Expenses.

Current Liabilities:

In accounting, current liabilities are considered liabilities of the business that are to be settled in cash within the fiscal year or the operating cycle, whichever period is longer.

Current Liabilities:

Deposit from Customers + Other Borrowed funds + Subordinated liabilities + Current tax liabilities.

From the Balance sheet of SBI:

Particulars	Mar'21	Mar'20	Mar'19	Mar'18	Mar'17
Liabilities	12 Months				
Share Capital	892.46	892.46	797.35	776.28	746.57
Reserves & Surplus	195367.42	193388.11	155903.06	143498.16	127691.65
Net Worth	220913.82	219128.56	188286.06	144274.44	128438.23

Secured Loan	403017.12	362142.07	317693.66	323344.59	205150.29
Unsecured Loan	2911386.01	2706343.29	2044751.39	1730722.44	1576793.25
TOTAL LIABILITIES	3535316.95	3287613.92	2550731.12	2198341.46	1910381.76
Assets					
Gross Block	38508.94	39200.71	42344.99	9819.16	9041.80
(-) Acc. Depreciation	.00	.00	.00	.00	.00
Net Block	38508.94	39200.71	42344.99	9819.16	9041.80
Capital Work in Progress	688.63	791.54	573.93	570.12	287.37
Investments	967021.95	1060986.72	765989.63	575651.78	481758.75
Inventories	.00	.00	.00	.00	.00
Sundry Debtors	.00	.00	.00	.00	.00
Cash and Bank	222490.11	191898.64	171971.65	167467.66	154755.78
Loans and Advances	2452204.62	2161874.39	1725086.11	1604108.82	1402236.11
Total Current Assets	2674694.73	2353773.03	1897057.76	1771576.48	1556991.89
Current Liabilities	145597.30	167138.08	155235.19	159276.08	137698.04
Provisions	.00	.00	.00	.00	.00
Total Current Liabilities	145597.30	167138.08	155235.19	159276.08	137698.04
Net Current Assets	2529097.44	2186634.95	1741822.57	1612300.40	1419293.85
Misc. Expenses	.00	.00	.00	.00	.00
Total Assets(A+B+C+D+E)	3559970.89	3312461.91	2582316.77	2198341.46	1910381.76

Current Assets:

So, The Current Asset of SBI in the year 2021, 2020, 2019, 2018, 2017 as per the Balance Sheet (31 March 2021)

2021

Current Assets = 2674694.73

2020

CurrentAssets = 2353773.03

2019

CurrentAssets = 1897057.76

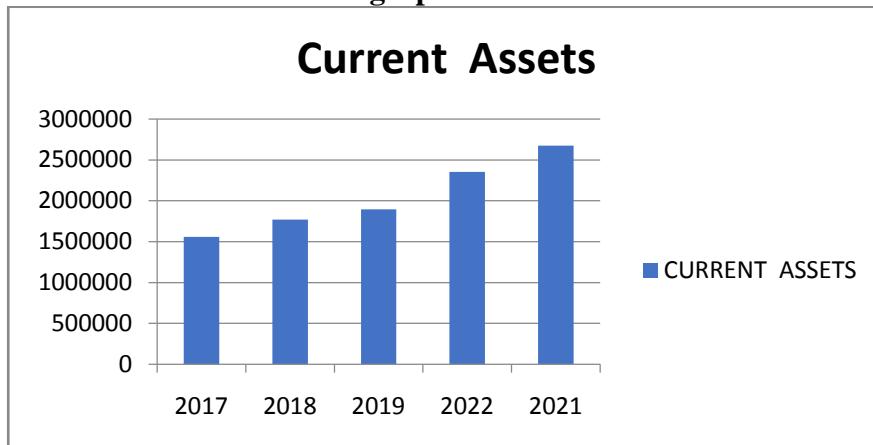
2018

Current Assets = 1771576.48

2017

Current Assets = 1556991.89

Current Assets of SBI from 2017-2021 in graphs:



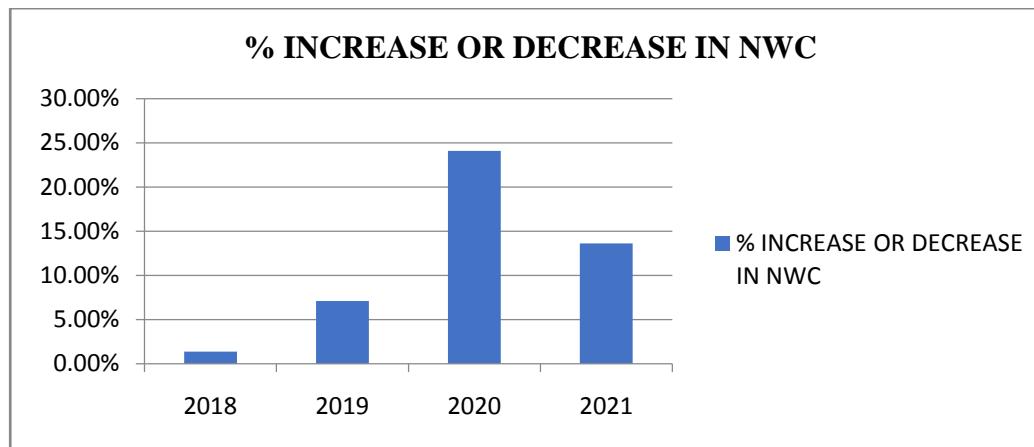
Interpretation:

From the above graph we can see that the SBI Bank shows that in the year 2017 the Current Asset has 1556991.89, in the year 2018 the Current Asset has 1771576.48, in the year 2019 the Current Asset has 1897057.76, in the year 2020 the Current Asset has 2353773.03, and in the year 2021 the Current Asset has 2674694.73.

Increase or decrease of Current Assets of SBI:

Particulars	2017	2018	2019	2020	2021
Current Assets	15566991.89	1771576.48	1897057.76	2353773.03	2674694.73
Increase / Decrease in NWC		214584.59	125481.28	456715.27	320921.7
% Increase / Decrease in NWC		1.38%	7.09%	24.08%	13.64%

Current Assets of % Increase or Decrease of NWC in graphs:



Interpretation:

From the above graph we can see that the SBI Bank shows that in the year 2017-18 the Current Asset has 1.38%, in the year 2018-19 the Current Asset has increase 7.09%, in the year 2019-20 the Current Asset has again increase 24.08%, in the year 2020-21 the Current Asset has decrease 13.64%.

Current Liabilities:

Now, The Current Liabilities of SBI in the year 2021, 2020, 2019, 2018, 2017 as per the Balance Sheet (31 March 2021)

2021

Current Liabilities = 145597.30

2020

Current Liabilities = 167138.08

2019

Current Liabilities = 155235.19

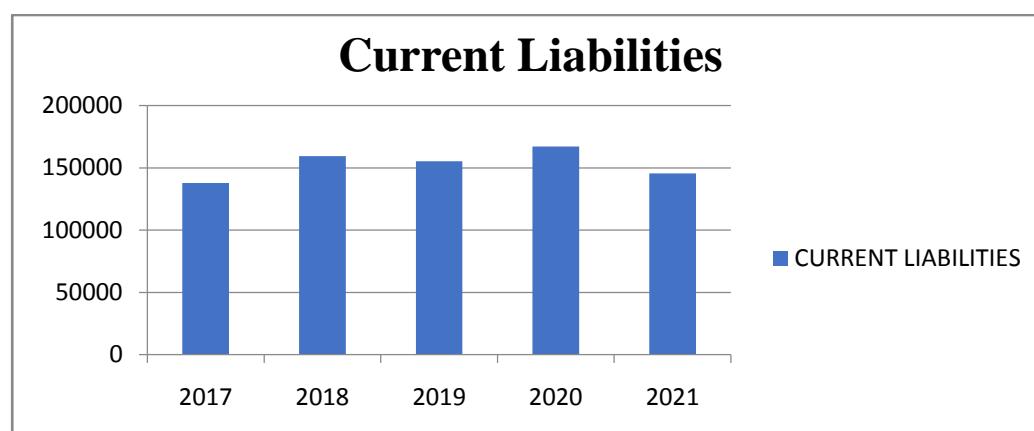
2018

Current Liabilities = 159276.08

2017

Current Liabilities = 137698.04

Current Liabilities of SBI from 2017-2021 in graphs:



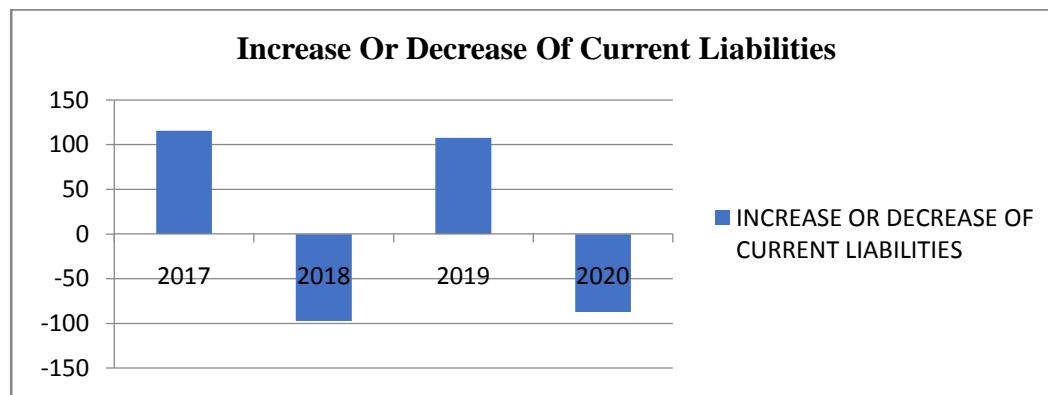
Interpretation:

From the above graph we can see that the SBI Bank shows that in the year 2017 the Current Liabilities has 137698.04, in the year 2018 the Current Liabilities has 159276.08, in the year 2019 the Current Liabilities has decrease 155235.19, in the year 2020 the Current Liabilities has increase 167138.08, in the year 2021 the Current Liabilities has again decrease 145597.30.

Increase or Decrease of Current Liabilities of SBI:

Particulars	2017	2018	2019	2020	2021
Current Liabilities	137698.04	159276.08	155235.19	167138.08	145597.30
Increase / Decrease in NWC		21578.04	-4040.89	11902.89	-21540.78
% Increase / Decrease in NWC		115.68%	-97.47%	107.67%	-87.12 %

Current Liabilities of % Increase or Decrease of NWC in graphs:



Interpretation:

From the above graph we can see that the SBI Bank shows that in the year 2017-18 the Current Liabilities has 115.68%, in the year 2018-19 the Current Liabilities has -97.47%, in the year 2019-20 the Current Liabilities has 107.67%, in the year 2020-21 the Current Liabilities has -87.12%.

Working Capital:

Therefore, from the above calculation we get that the Working Capital of SBI in the year 2017, 2018, 2019, 2020, 2021 as per the Balance Sheet (31 March 2021)

2021

$$\begin{aligned}
 \text{Net Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\
 &= 2674694.73 - 145597.30 \\
 &= 2529097.43
 \end{aligned}$$

2022

$$\begin{aligned}\text{Net Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 2353773.03 - 167138.08 \\ &= 2186634.95\end{aligned}$$

2019

$$\begin{aligned}\text{Net Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 1897057.76 - 155235.19 \\ &= 1774822.57\end{aligned}$$

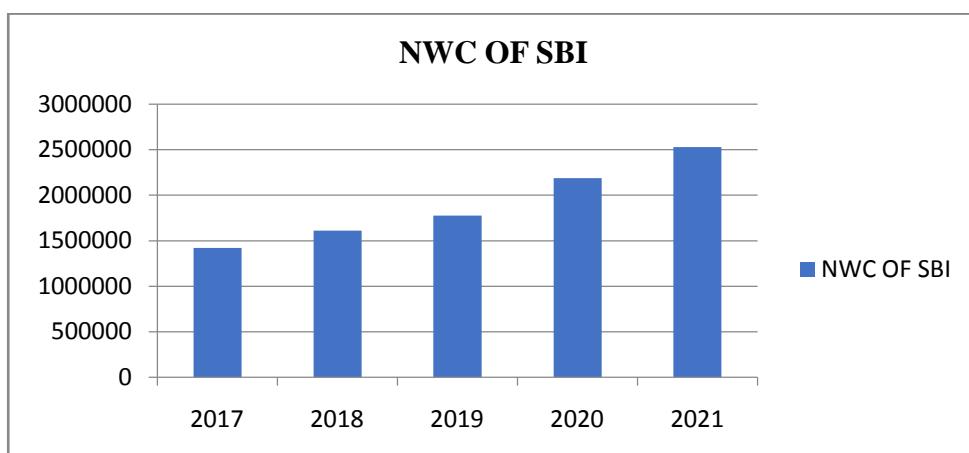
2018

$$\begin{aligned}\text{Net Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 1771576.48 - 159276.08 \\ &= 1672300.4\end{aligned}$$

2017

$$\begin{aligned}\text{Net Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 1556991.89 - 137698.04 \\ &= 1419293.85\end{aligned}$$

Net Working Capital of SBI from 2017 – 2021 in graphs:



Interpretation:

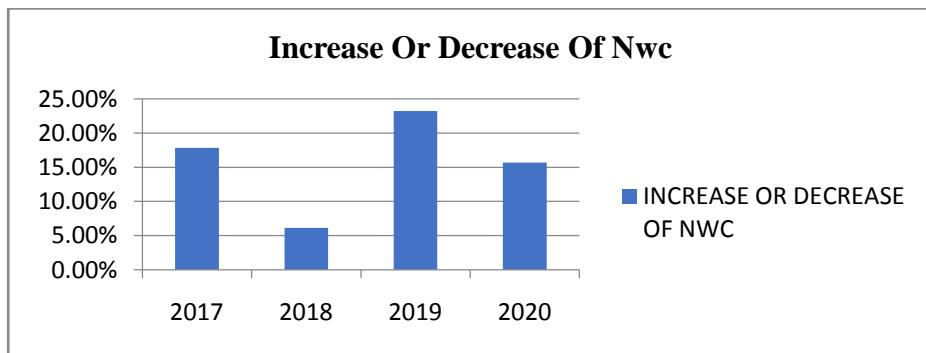
From the above graph we can see that the SBI Bank shows that in the year 2017 the Net Working Capital has 1419293.85, in the year 2018 the Net Working Capital has 1612300.4, in the year 2019 the Net Working Capital has 1774822.57, in the year 2020 the Net Working Capital has 2186634.95, in the year 2021 the Net Working Capital has 2529097.43.

Increase or Decrease of Net Working Capital of SBI:

Particular	2017	2018	2019	2020	2021

Current Assets	15566991.89	1771576.48	1897057.76	2353773.03	2674694.73
Current Liabilities	137698.04	159276.08	155235.19	167138.08	145597.30
Net Working Capital (NWC)	1419293.85	1672300.4	1774822.57	2186634.95	2529097.43
Increase / Decrease in NWC		253006.55	102522.17	411812.38	342462.48
% Increase / Decrease in NWC		17.83%	6.14%	23.21	15.67

% Increase or Decrease of NWC in graphs:



Interpretation:

From the above graph we can see that the SBI Bank shows that in the year 2017-18 the Net Working Capital has 17.83%, in the year 2018-19 the Net Working Capital has decrease 6.14%, in the year 2019-20 the Net Working Capital has increase 23.21%, in the year 2020-21 the Net Working Capital has again decrease 15.67%.

Findings

The research is conducted with the data of past five years. And from this past five years data the things that I have finds after the research done are:-

- Working capital of the company was increasing and showing positive working capital per year. It shows good liquidity position.
- Positive working capital indicates that company has the ability of payments of short terms liabilities.
- Working capital increased because of increment in the current assets is more than increase in the current liabilities.
- The Company's current assets were always more than requirement it affect on profitability of the company.
- Current assets are more than current liabilities indicate that company used long term funds for short term requirement, where long term funds are most costly then short term funds.
- Current assets components shows sundry debtors were the major part in current assets it shows that the inefficient receivables collection management.

Suggestions:

The research is conducted with the data of past five years. However, better insight could be obtained if the research is continued with the data for more number of years.

- 1) There should maintain proper management in inventory.
- 2) Current assets should not be exceeding over because it is increase the investment of the company.
- 3) The Net Working Capital should be in a balance condition it should not be fluctuate excessively. All over company should manage the NWC of the company in such a way that it should enhance the effectiveness and efficiency of the company's profitability.

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