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A STUDY ON FINANCIAL LIQUIDITY POSITION AT SBI BANK, HYDERABAD

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ABSTRACT
This study evaluates the financial liquidity position of the State Bank of India (SBI), focusing on key liquidity ratios such as the Current Ratio, Quick Ratio, Cash Ratio, and Loan-to-Deposit Ratio. Using both primary data from SBI employee interviews and secondary data from annual reports, the research analyses SBI's short-term financial health and liquidity management strategies. Findings highlight the bank's use of asset- liability management and investment policies to maintain liquidity in line with regulatory norms. The study concludes with recommendations to improve liquidity efficiency while supporting sustained growth and profitability.

KEY WORDS: Financial liquidity, liquidity management strategies, investment policies.

INTRODUCTION

This study explores the liquidity position of the State Bank of India (SBI), emphasizing its importance in ensuring financial stability, regulatory compliance, and operational efficiency. As India's largest public sector bank, SBI must effectively manage liquidity through key regulatory ratios like CRR, SLR, and LCR. The research analyzes financial data and liquidity trends to assess the bank's resilience amid economic uncertainties, including the impact of COVID-19 and market volatility. The findings offer valuable insights into SBI's liquidity management strategies and their implications for banking professionals, policymakers, and financial planners.

REVIEW OF LITERATURE

Sarabani duta (2016) Ratio analysis is one of the technique of financial analysis where ratios are used as A yardstick for evaluating the financial condition and performance of A firm. Analysis and interpretation of various accounting ratios gives A better understanding of financial and performance of firm.

Agarwal, Nidhi (2018) The study focuses on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position, four ratios are considered namely, capital gearing, debt equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor's fund in business to improve long term solvency position.

Bharathi (2020) The study is focused on assessing the performance of Dabur India Company through the profitability ratio, identifying the variations in various profitability components, and understanding the CSR activities initiated by Dabur India Ltd.

NEED & IMPORTANCE OF THE STUDY

In today's dynamic financial landscape, effective liquidity management is crucial for banks to meet short-term obligations, maintain trust, and ensure regulatory compliance. The State Bank of India (SBI), as the largest public sector bank, manages a vast portfolio of deposits, loans, and investments, making its liquidity position vital to the stability of the broader Indian financial system. Assessing SBI's liquidity is essential to understanding its financial strength and preparedness to handle potential liquidity challenge

SCOPE OF THE STUDY

This study analyzes the financial liquidity position of the State Bank of India (SBI), focusing on its ability to meet short-term obligations and maintain stability. It examines SBI's liquidity management practices, financial reports, and compliance with RBI- prescribed norms over the past 3 to 5 financial years. Key liquidity ratios and internal policies are assessed to identify trends and evaluate how SBI manages challenges like sudden withdrawals or market fluctuations. The scope is limited to SBI, with comparisons to other banks included only for benchmarking purposes.

OBJECTIVES OF THE STUDY

1. To analyze the liquidity position of SBI Bank
2. To evaluate the effectiveness of SBI's liquidity management practices
3. To examine the impact of regulatory requirements
4. To identify trends and patterns in SBI's liquidity performance

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this study the various steps that are generally adopted by the researcher in studying his research problem along with the logic behind them.

DATA SOURCES AND METHODOLOGY

DATA SOURCES

Secondary Data

1. **SBI Annual Reports & Financial Statements**
   Full-year and half-yearly reports (e.g., FY 2022–23, 2023–24) include detailed balance sheets, cash flow statements, and directors'discussions covering cash reserves, investments, borrowings, deposits, and key liquidity ratios.
2. RBI Regulatory Filings & Circulars
   - Data on Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR), and Basel III metrics.
   - RBI sets mandated levels of CRR, SLR, and LCR, which SBI must maintain.

LIMITATIONS

- The study primarily relies on secondary data such as annual reports, financial statements, and RBI publications. The accuracy of the analysis is dependent on the reliability of these sources.

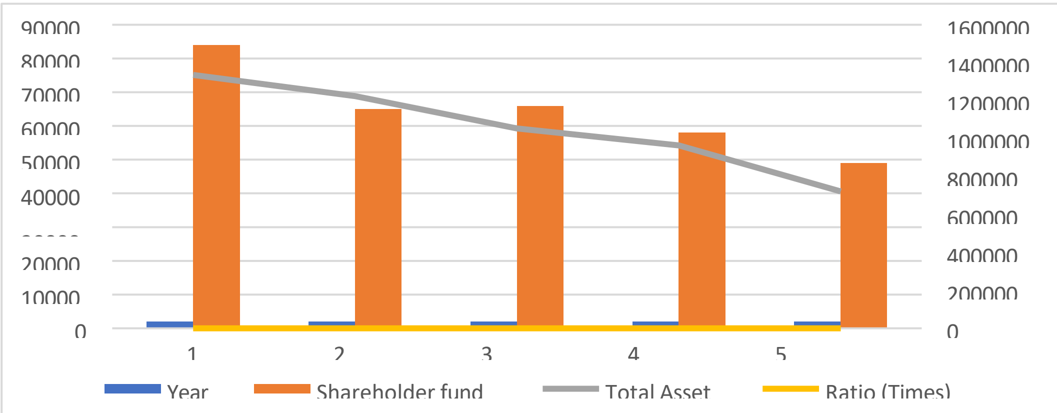
- The study covers a specific period (5 financial years), which may not capture the long-term liquidity trends or the effects of economic cycles beyond this timeframe.
- This study focuses solely on SBI and does not provide a detailed comparison with other banks, which could have provided a broader industry perspective on liquidity management.
- Confidential internal policies, real-time liquidity monitoring systems, and proprietary risk management strategies of SBI were not accessible, limiting the depth of analysis.
- Changes in monetary policy, market volatility, and macroeconomic factors during or after the study period may affect the liquidity position of the bank, which are not accounted for in this analysis.

DATA ANALYSIS & INTERPRETATION

TABLE: SHOWING PROPRIETARY RATIO FOR 5 YEARS

Year	Shareholder fund	Total Asset	Ratio (Times)
2024	83951.2	1335519	0.06286
2023	64986	1223736	0.05311
2022	65949.2	1053414	0.06261
2021	57947.7	964432	0.06009
2020	49032.7	721526	0.06796

CHART: SHOWING PROPRIETARY RATIO FOR 5 YEARS



INTERPRETATION

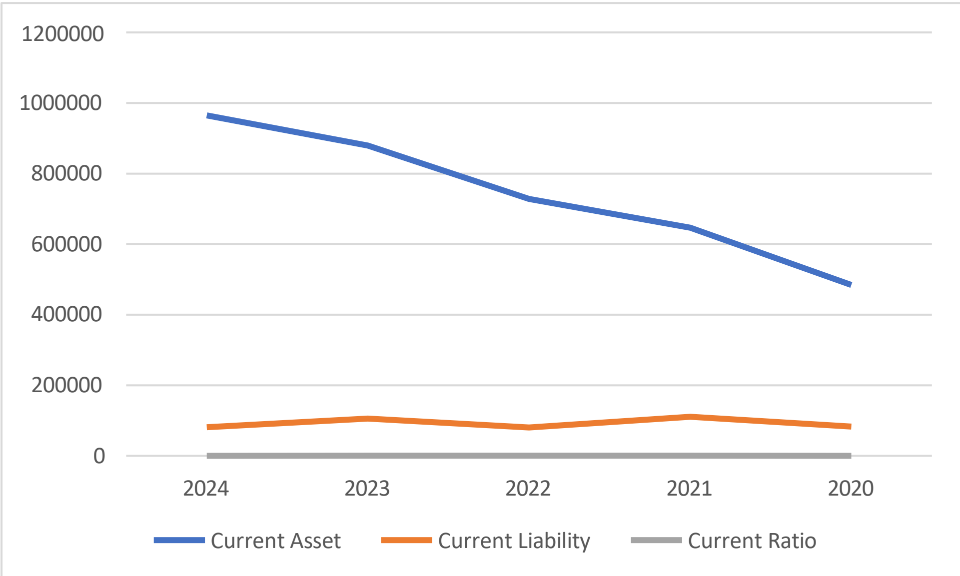
From the above table,it is interpreted that the proprietary ratio in the year 2021 is 0.067,2022 is 0.060,2023 is 0.062,2024 is 0.053,2025 is 0.062. The ratio was high in the year (2021) 0.067957 and low in the year (2024) 0.053105. Thus, it can be said that the company is maintaining long term solvency. The current year (2025) proprietary ratio is found to be 0.06286 it is an increasing position.

4.1.2 CURRENT RATIO

TABLE: SHOWING CURRENT RATIO FOR 5 YEARS

Year	Current Asset	Current Liability	Current Ratio
2024	964742	80915.1	11.92
2023	879594	105248	8.36
2022	728098	80336.7	9.06
2021	646907	110698	5.84
2020	484235	83362.3	5.8 1

CHART: SHOWING CURRENT RATIO FOR 5 YEARS



INTERPRETATION

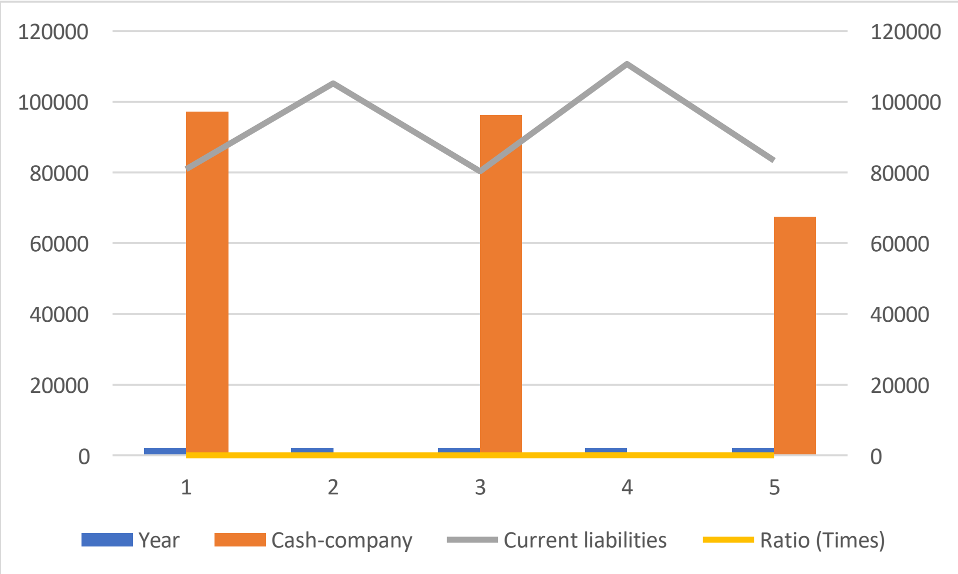
From the above table it is interpreted that the current ratio in the year 2021 is 5.81,2022 is5.84,2023 is 9.06,2024 is 8.36,2025 is 11.92 .The current ratio was high in the year 2025 with 11.92 and low in the year 2021 with 5.81. The current year (2025) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.

4.1.3 CASH POSITION RATIO

TABLE: SHOWING CASH POSITION RATIO FOR 5 YEARS

Year	Cash-company	Current liabilities	Ratio (Times)
2024	97,163.17	80915.09	1.2
2023	1,22,874.15	105248.4	1.17
2022	96,183.85	80336.7	1.2
2021	1,04,403.80	110697.6	0.94
2020	67,466.34	83362.3	0.81

CHART: SHOWING CASH POSITION RATIO FOR 5 YEARS



INTERPRETATION

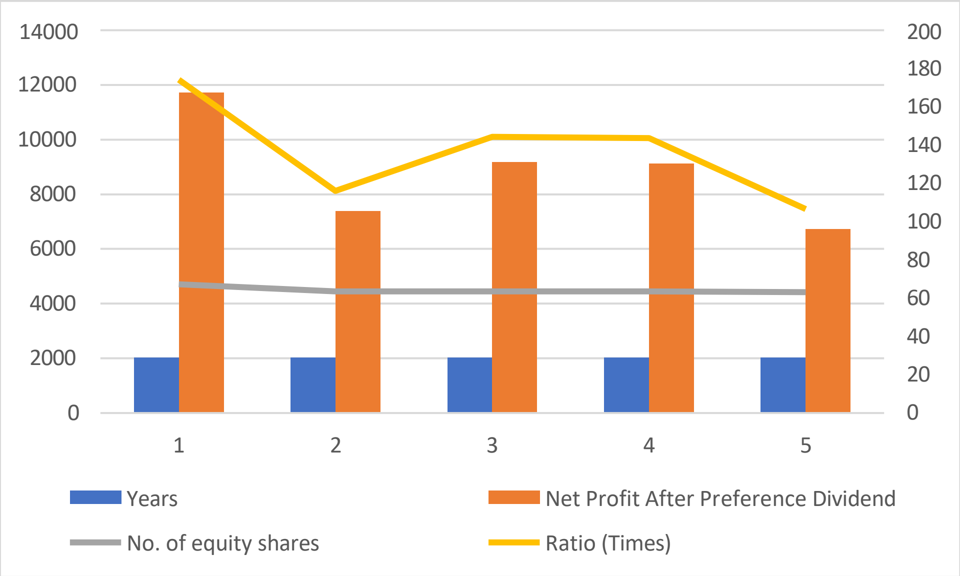
From the table, it is inferred that the cash position ratio is high in the year 2021 is 0.81,2022 is 0.94,2023 is 1.2,2024 is 1.17,2025 is 1.2 and the cash position ratio in 2023 and 2022 was 1.20 and low in the year 2021 with 0.81. The current year (2025) cash position ratio has increased to 1.20 when compared to the previous year 2024 with 1.17.

4.1.4 EARNING PER SHARE

TABLE SHOWING EARNING PER SHARE FOR 5 YEARS

Years	Net Profit After Preference Dividend	No. of equity shares	Ratio (Times)
2024	11,713.34	67.26	174.15
2023	7,370.69	63.5	116.07
2022	9,166.39	63.49	144.37
2021	9,121.57	63.49	143.67
2020	6,729.46	63.15	106.56

CHART: SHOWING EARNING PER SHARE FOR 5 YEARS



INTERPRETATION

From the above table, it is interpreted that the earnings per share in the year 2021 is 106.56,2022 is 143.67,2023 is 144.37,2024 is 116.07,2025 is 174.15 and the earnings per share were found to be high in the year 2025 with 174.15 and low in the year 2022 with 143.67. The current year (2025) earnings per share ratio is found to be increasing with 174.15 when compared to the previous year with 116.07. This is due to the increase in the net profit.

FINDINGS

The current year (2025) current ratio is found to be the highest (11.92) due to the decrease in the liabilities. The current year (2025) cash position ratio has increased to 1.20 when compared to the previous year 2024 with 1.17. The current year (2025) earnings per share ratio is found to be increasing with 174.15 when compared to the previous year with 116.07. The current year 2025 dividend payout ratio is found to be decreasing to 0.20 when compared to the previous year. The current year 2025 trend percentage for current assets is 0.83. In the year 2025, the Return on Assets is higher. Thus, higher values of return on assets show that business is more profitable. In the year 2025 the Fixed asset ratio is increased to 0.0044. This means that the company’s fixed asset position is satisfactory. In the year 2024, the debt-equity ratio is higher, which means that the company has a higher leverage. The current year(2025) credit deposit ratio is increased to 17.45. In the year 2022, the investments of the company is increased to 45.62 and the other assets of the company are decreased to 15.05. In the year 2023, the borrowings increased drastically to 91.78. and balance with company,money at call is decreasing to 28.58.

SUGGESTIONS

The company has a better liquidity position and the company can push its liquidity position so that it can sustain in the future The Company may look into measures to reduce the loans and advances in the coming periods. The liabilities may be reduced in coming periods. It is suggested that the company can strongly focus on a cost reduction strategy that will make a company more profitability. The company has a bright future if it concentrates more on its working capital short term, investments, thus achieving the overall objectives of the company. Thus, it is essential to avoid excessive liquidity but to maintain sufficient liquidity to ensure smooth running of the company's operations.

CONCLUSIONS

Financial viability analysis is a forward-looking tool that aids in effective decision-making and future financial planning. By evaluating financial statements, businesses can assess their current position, operational efficiency, and identify strengths and weaknesses. This analysis helps uncover the causes of changes in profitability and enables corrective actions. Improved financial performance enhances a company's strength, supports smooth operations, and strengthens its liquidity position.

Maintaining adequate reserves and surplus equips the company to handle future financial stress, with the study concluding that increased capital has contributed to improved overall performance.

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   - Covers Indian case studies and research on public sector banks like SBI.
3. International Journal of Financial Management
   - Provides insights into liquidity, profitability, and financial planning.

4. Indian Journal of Finance
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