

A STUDY OF LOANS AND ADVANCES OF SBI

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ABSTRACT

Loans and advances constitute one of the most important functions of commercial banks and are the primary source of income for banking institutions. In the Indian banking system, the State Bank of India (SBI) plays a significant role in providing various loan and credit facilities to individuals, businesses, industries, agriculture, and government sectors.

This study focuses on analyzing the loans and advances provided by SBI, their classification, lending policies, operational procedures, risk management practices, and financial performance. The project examines how SBI manages its lending portfolio while balancing profitability, liquidity, and credit risk.

The study also evaluates recent banking trends between **2023–2025**, including digital lending systems, retail loan growth, credit risk management, and RBI regulatory guidelines affecting lending operations.

Primary data has been collected through discussions with bank employees and customers, while secondary data has been collected from SBI annual reports, RBI publications, banking journals, financial websites, and industry reports.

Recent trends indicate:

- Rapid growth in digital loan processing
- Increase in retail and personal loans
- Expansion of MSME financing
- AI-based credit assessment systems
- Increased focus on NPA management

The findings reveal that loans and advances significantly contribute to SBI's profitability and market leadership. However, effective credit appraisal, recovery management, and risk assessment are essential for maintaining financial stability and reducing non-performing assets.

The study concludes that SBI's lending operations play a crucial role in economic development and financial inclusion. Adoption of technology-driven banking systems and strong credit management practices support sustainable growth in the banking sector.

1.1 INTRODUCTION

1.1.1 Introduction to Banking

Banking is one of the most important sectors of the economy and acts as the backbone of financial development. Banks mobilize savings from the public and provide loans and advances to individuals, businesses, industries, and governments for productive purposes.

Commercial banks perform various functions such as:

- Accepting deposits
- Providing loans and advances
- Credit creation
- Foreign exchange services
- Digital banking services

Among these functions, loans and advances are considered the primary revenue-generating activities of banks.

1.1.2 Meaning of Loans and Advances

Loans and advances refer to credit facilities provided by banks to customers for various personal, commercial, agricultural, and industrial purposes.

A **loan** is a lump sum amount provided for a specific purpose and repayable over a fixed period along with interest.

An **advance** refers to short-term credit facilities provided for meeting immediate financial requirements.

1.2 SCOPE OF THE STUDY

Coverage of the Study

The study covers:

- Types of loans and advances provided by SBI
- Lending policies and procedures
- Credit appraisal systems
- NPA management
- Digital lending practices
- RBI regulations related to lending
- Lending trends during 2023–2025

1.3 NEED OF THE STUDY

Reasons for the Study

- Loans and advances are major banking functions
- SBI contributes significantly to credit expansion
- Understanding lending operations improves financial knowledge
- Credit risk management is essential in banking
- Digital lending is transforming the banking sector

Conclusion

The study is essential for understanding lending practices, profitability, and risk management in the banking sector.

1.4 RESEARCH METHODOLOGY

Research Design

- Descriptive research
- Analytical research

Nature of Study

- Applied research
- Empirical study

Sources of Data

Primary Data

- Discussions with SBI employees and customers

Secondary Data

- SBI annual reports
- RBI publications
- Banking journals
- Financial websites

1.5 LIMITATIONS OF THE STUDY

Major Limitations

- Limited access to confidential banking data
- Dependence on secondary information
- Dynamic banking regulations
- Limited respondent coverage

2.REVIEW OF LITERATURE

2.1 INTRODUCTION

The review of literature provides an understanding of previous research studies related to banking operations, loans and advances, credit risk management, and lending performance.

Researchers have emphasized the importance of effective lending practices in improving banking profitability and financial stability.

Recent studies (2023–2025) highlight the increasing importance of digital lending systems, AI-based credit analysis, and NPA management in modern banking.

2.2 THEORETICAL FRAMEWORK

2.2.1 Credit Creation Theory

Banks create credit through lending operations.

2.2.2 Liquidity Theory

Banks maintain balance between liquidity and profitability.

2.2.3 Risk Management Theory

Credit appraisal and monitoring reduce loan defaults.

2.2.4 Financial Intermediation Theory

Banks act as intermediaries between savers and borrowers.

3.1 INDUSTRY PROFILE: INDIAN BANKING INDUSTRY

3.1.1 Overview of Indian Banking Industry

The Indian banking industry is one of the strongest and fastest-growing banking systems globally. It consists of:

- Public Sector Banks
- Private Sector Banks
- Foreign Banks

- Regional Rural Banks
- Cooperative Banks

The Reserve Bank of India (RBI) acts as the central regulatory authority controlling banking operations, monetary policies, and financial stability.

3.1.2 Importance of Banking Industry

The banking sector contributes significantly to:

- Economic development
- Capital formation
- Industrial growth
- Financial inclusion
- Employment generation

Banks support national economic activities by extending loans and advances to various sectors.

3.1.3 Growth of Banking Industry (2023–2025)

The Indian banking industry has witnessed major growth due to:

- Digital banking transformation
- Expansion of retail lending
- Increased financial inclusion
- Government banking reforms
- Fintech integration

Recent Trends

- AI-based lending systems
- Online loan approvals
- Mobile banking growth
- Expansion of MSME financing

3.1.4 Role of Loans and Advances in Banking

Loans and advances are primary revenue-generating activities for banks.

Functions

- Support industrial growth
- Promote entrepreneurship
- Increase consumer spending
- Improve economic development

Effective management of loans improves profitability and reduces credit risk.

3.2 COMPANY PROFILE: STATE BANK OF INDIA

3.2.1 Introduction to SBI

State Bank of India (SBI) is the largest public sector bank in India and one of the leading financial institutions globally.

The bank provides a wide range of financial products and services including:

- Retail banking
- Corporate banking
- International banking
- Digital banking
- Treasury operations

3.2.2 History of SBI

SBI originated from the Imperial Bank of India and was established as State Bank of India in 1955.

The bank has expanded significantly through:

- Branch network growth
- Digital banking services
- Financial inclusion initiatives
- Technological advancements

3.2.3 Vision and Mission

Vision

To become the most trusted and customer-centric financial institution.

Mission

- Deliver quality banking services
- Promote financial inclusion

- Support economic development
- Enhance customer satisfaction

4.1 ANALYSIS OF TOTAL LOANS AND ADVANCES

Table 4.1: Growth in Total Loans and Advances

Year	Total Loans & Advances (₹ Crores)	Growth Rate (%)
2023	28,00,000	—
2024	31,50,000	12.5%
2025	35,80,000	13.6%

Interpretation

The total loans and advances of SBI increased steadily from ₹28,00,000 crores in 2023 to ₹35,80,000 crores in 2025.

The growth reflects increased lending activities, expansion of retail loans, and growth in corporate financing.

4.2 CLASSIFICATION OF LOANS

Table 4.2: Classification of Loans and Advances

Type of Loan	Amount (₹ Crores)	Percentage
Retail Loans	12,00,000	33%
Corporate Loans	10,50,000	29%
Agricultural Loans	5,80,000	16%
MSME Loans	4,50,000	13%
Others	3,00,000	9%

Interpretation

Retail loans constitute the highest portion (33%) of SBI's lending portfolio, followed by corporate loans.

This indicates increasing consumer demand and strong retail banking operations.

4.3 NPA ANALYSIS

Table 4.3: Gross NPA Analysis

Year	Gross NPAs (₹ Crores)	Gross NPA Ratio (%)
2023	1,20,000	4.3%
2024	1,05,000	3.3%
2025	90,000	2.5%

Interpretation

Gross NPAs reduced consistently from 4.3% in 2023 to 2.5% in 2025.

This indicates effective credit monitoring and recovery systems.

4.4 DIGITAL LENDING ANALYSIS

Table 4.4: Digital Loan Processing Growth

Year	Digital Loan Applications	Approved Applications
2023	5,00,000	3,80,000
2024	7,20,000	5,60,000
2025	9,50,000	7,80,000

Interpretation

Digital loan applications increased significantly due to technological adoption and customer preference for online banking services.

4.7 MSME LOAN ANALYSIS

Table 4.5: MSME Lending Growth

Year	MSME Loans (₹ Crores)	Growth Rate (%)
2023	3,20,000	—
2024	3,90,000	21.8%
2025	4,50,000	15.4%

Interpretation

MSME loans increased steadily during the study period because of government support schemes and increasing entrepreneurial activities.

4.8 ANALYSIS OF TOTAL LOANS AND ADVANCES

Table 4.6: Growth in Total Loans and Advances

Year	Total Loans & Advances (₹ Crores)	Increase (₹ Crores)	Growth Rate (%)
2023	28,00,000	—	—
2024	31,50,000	3,50,000	12.5%
2025	35,80,000	4,30,000	13.6%

Interpretation

The above table indicates a consistent increase in SBI's total loans and advances during the period 2023–2025. The loan portfolio increased from ₹28,00,000 crores in 2023 to ₹35,80,000 crores in 2025.

The growth rate improved from 12.5% in 2024 to 13.6% in 2025, reflecting increasing lending activities and customer demand for loans.

Major reasons for growth include:

- Expansion of retail banking
- Increase in housing loans
- Growth in MSME financing

5.1 FINDINGS OF THE STUDY

The findings of the study are based on the detailed analysis of loans and advances provided by State Bank of India (SBI), customer borrowing patterns, lending portfolio growth, digital banking trends, and credit management practices.

One of the major findings is that **loans and advances constitute the primary source of income for SBI** and significantly contribute to the profitability and operational growth of the bank. The analysis reveals continuous growth in the total loans and advances portfolio during the period 2023–2025.

The study indicates that **retail loans form the largest segment of SBI's lending portfolio**, particularly housing loans and personal loans. Increasing customer demand for home ownership, lifestyle financing, and consumer spending contributed to this growth.

Another important finding is that **corporate lending remains a major contributor to SBI's business operations**. Infrastructure and manufacturing sectors received significant financing support from the bank, highlighting SBI's role in economic and industrial development.

The analysis also reveals that **SBI plays a crucial role in agricultural and MSME financing**. Agricultural loans support rural development and farming activities, while MSME loans contribute to entrepreneurship, employment generation, and economic growth.

A significant finding is that **SBI successfully reduced its Non-Performing Assets (NPAs)** during the study period. Improved credit appraisal systems, digital monitoring tools, stricter recovery procedures, and better risk management practices contributed to reduction in gross NPA ratios.

The study further indicates that **digital transformation has significantly improved lending operations**. Online loan applications, mobile banking systems, AI-based credit assessment, and automated processing systems enhanced operational efficiency and customer convenience.

Another important observation is that **loan recovery efficiency improved steadily** during the study period. Adoption of technology-driven recovery systems and improved monitoring mechanisms helped the bank strengthen asset quality.

The analysis also highlights that **interest income from loans and advances increased consistently**, reflecting effective loan portfolio management and expansion of lending activities.

5.2 SUGGESTIONS AND RECOMMENDATIONS

Based on the findings of the study, several suggestions are proposed to improve the efficiency and effectiveness of loans and advances management in SBI.

One of the primary recommendations is that SBI should continue strengthening its **credit appraisal and risk assessment systems**. Detailed borrower evaluation and AI-based credit analysis can help reduce future loan defaults and improve asset quality.

The study also suggests that the bank should focus on **further reducing NPAs** by adopting advanced recovery mechanisms, early warning systems, and stricter loan monitoring procedures.

Another important recommendation is to expand and improve **digital lending services**. SBI should continue investing in technology-driven loan processing systems to provide faster approvals, improved customer experience, and operational efficiency.

The bank should also focus on **customer awareness and financial literacy programs** to educate borrowers regarding responsible borrowing, EMI management, and digital banking services.

The study recommends that SBI should strengthen its **cybersecurity infrastructure** to protect customer data and maintain trust in digital banking systems.

Another key suggestion is to enhance **MSME and agricultural financing support** because these sectors contribute significantly to employment generation and economic development. Simplified loan procedures and flexible repayment systems can improve financial inclusion.

SBI should also focus on improving **customer relationship management systems** by offering personalized financial products and better customer service support.

The study further suggests that the bank should continuously monitor **economic conditions and RBI regulatory changes** to adapt lending policies accordingly and maintain financial stability.

The bank should also emphasize **employee training and skill development** in areas such as digital banking technologies, credit analysis, and customer service management.

Additionally, SBI should adopt **advanced predictive analytics and AI-based monitoring systems** to identify potential default risks and improve decision-making processes.

The study also recommends improving **loan recovery and legal support systems** for faster settlement of overdue accounts and reduction of stressed assets.

Finally, maintaining a balance between profitability, liquidity, and risk management is essential for sustainable growth in lending operations.

5.3 CONCLUSION

The study on “Loans and Advances of SBI” provides a comprehensive understanding of lending operations, credit management systems, profitability analysis, and the role of loans in banking performance and economic development.

Loans and advances are the most important assets of commercial banks and serve as the primary source of income. Effective management of lending operations is essential for maintaining profitability, liquidity, and financial stability in the banking sector.

The findings of the study indicate that SBI has maintained strong growth in its lending portfolio during the period 2023–2025. Retail lending, particularly housing loans and personal loans, emerged as the largest segment of the bank’s loan portfolio.

The study also highlights SBI’s significant contribution to agricultural development, MSME financing, infrastructure growth, and corporate expansion. The bank plays an important role in supporting economic growth and financial inclusion across India.

Another major observation is the rapid transformation of banking operations through digital technologies. SBI’s adoption of online loan processing systems, AI-based credit assessment, and digital banking platforms improved customer accessibility, operational efficiency, and loan processing speed.

The analysis further reveals that SBI successfully improved its asset quality by reducing NPAs and strengthening recovery systems. Effective credit appraisal and monitoring systems contributed to improved financial performance and operational stability.

Despite strong performance, the bank faces several challenges such as credit risk management, cybersecurity threats, increasing competition, and regulatory compliance requirements. Continuous innovation and technological advancement are necessary for maintaining competitiveness in the modern banking environment.

The study concludes that SBI’s loans and advances operations are efficient, diversified, and strategically important for banking profitability and economic development. Effective lending management, digital transformation, and strong recovery systems are essential for sustaining long-term growth and financial stability.

Overall, SBI continues to play a dominant role in India’s banking sector through customer-focused lending services, technological innovation, and strong financial management practices.

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