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Financial Performance Analysis of The State Bank of India (Sbi) By Applying Eagle Model

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Abstract

Finance is considered the backbone of the economy, organization, and individual financial decision-making process. It refers to the evaluating of an organisation financial health and operational efficiency and serves as a key indicator of stability and growth potential. This study seeks to analyze the State Bank of India's (SBI) financial performance using the EAGLE model, which evaluates Efficiency, Asset Quality, Growth, Liquidity, and Earnings. By examining these key financial parameters, the study aims to provide insights into SBI's strengths and weaknesses and areas for improvement. The primary objective is to examine the earning ability, asset quality, growth, liquidity, and equity of the State Bank of India. The research methodology employs quantitative methods, relying on financial ratio analysis under the EAGLE model, utilizing secondary data from SBI's annual reports over a ten-year period (2014-2024).

Key Words: *Finance, Banking Sector, Financial Performance, State Bank of India (SBI), EAGLE Model, Ratio Analysis.*

Introduction

Finance encompasses various activities, including budgeting, investing, borrowing, lending, saving, and forecasting. It plays a critical role in ensuring economic stability and growth by enabling businesses to expand, individuals to achieve financial security, and governments to implement economic policies. The banking sector is a fundamental aspect of finance, acting as a financial intermediary to facilitate the efficient allocation of resources and providing credit. Financial management in banks involves maintaining a balance between profitability, liquidity, and risk while complying with regulatory requirements.

Statement Of the Problem

The financial performance of banks is a crucial determinant of their stability, profitability, and long-term sustainability. This study aims to provide insights into SBI's strengths, weaknesses, and areas for improvement, which will help policymakers, investors, and banking professionals in making informed decisions.

Scope Of the Study

This study focuses on evaluating the financial performance of the State Bank of India (SBI) by analyzing its operational efficiency, profitability, asset management, liquidity position, and overall financial stability. The study is significant for bank management, investors, policymakers, and researchers, offering valuable insights that can aid in decision-making and financial strategy development.

Objective Of the Study

- To examine the earning ability, assets quality, growth, liquidity and equity of the state bank of India.
- To analyze the overall financial performance of the state bank of India (SBI).

Methodology Of the Study

The research methodology employs quantitative research methods, relying on financial ratio analysis under the EAGLE model. The study focuses on the financial performance of the State Bank of India for a period of ten years (2014-2024).

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The study utilizes secondary data collected from SBI's annual reports. The primary statistical tool used is ratio analysis, covering Earnings, Assets, Growth, Liquidity, and Equity .

Limitations Of the Study

The study is limited to analyzing only the financial performance of the State Bank of India and does not include comparisons with other banks. The study relies solely on secondary data from annual reports, RBI publications, and other publicly available sources.

Review Of Literature

Rajesh et al. (2024), "Financial Performance Analysis of Private Banks in India" sought to rank private banks using the EAGLE Model, ANOVA, and Ratio Analysis. The study ranked HDFC, DCB, and RBL banks as top performers in financial stability and profitability. The research highlighted that private banks with higher credit disbursement efficiency and asset management strategies outperformed others in terms of growth and earnings. It suggested that banks focus on developing a robust credit risk assessment framework and diversifying investment portfolios to sustain financial stability. The study concluded that optimizing operational costs and liquidity planning could significantly enhance the financial performance of Indian private banks. It emphasized the role of technological advancements in banking operations, suggesting that private banks should invest in digital transformation to maintain competitive advantage and operational efficiency.

Rashesh Vaidya (2023), "EAGLE Rating Model for Nepalese Banks" This study assessed the financial performance of Nepalese commercial banks using the EAGLE Model and Ratio Analysis. The findings revealed that banks with strong market expansion strategies performed best in the EAGLE rankings. Banks with higher asset quality, efficient liquidity management, and profitability demonstrated stronger financial stability. Additionally, banks with better capital adequacy ratios performed well in adverse financial conditions. The study recommended that commercial banks enhance their earnings and liquidity components to 5 improve financial resilience and growth. The research emphasized the importance of capital adequacy and liquidity management as key determinants of financial stability in Nepalese banks. Moreover, it suggested that banks focusing on diversifying their revenue streams could maintain sustainable financial performance. The study provided valuable insights for policymakers and banking institutions aiming to strengthen financial sustainability in Nepal.

Overview Of the Study

History Of Eagle Model

The EAGLE model, developed by Dr. John Vong in 1994, is a comprehensive framework designed to assess the financial performance of banks. It evaluates five key parameters: **E**arnings Ability, **A**sset Quality, **G**rowth, **L**iquidity, and **E**quity. This model offers a more holistic approach compared to conventional financial evaluation methods, integrating multiple financial indicators to give deeper insights into a bank's overall performance.

Analysis And Interpretation

Ratio analysis is defined as the systemic use of ratios to interpret financial statements, which helps determine the strengths and weaknesses of a firm, as well as its historical performance and current financial condition.

Eagle Model Ratios:

Earnings (E): Measures profitability and income-generating ability.

- **Return on Assets (ROA):** Net Income / Total Assets
- **Net Interest Margin (NIM):** Net Interest Income / Average Interest- Earning Assets
- **Interest Income to Total Assets (II/TA):** Interest Income / Total Assets

YEAR	ROA	NIM	II/TA
2014-2015	1.18	2.00	7.44
2015-2016	0.45	4.00	6.94
2016-2017	0.41	4.00	6.49
2017-2018	0.21	6.00	6.38
2018-2019	0.02	3.00	6.60
2019-2020	0.38	2.97	6.51
2020-2021	0.48	3.04	5.85
2021-2022	0.67	3.12	5.52
2022-2023	0.96	3.37	6.02
2023-2024	1.04	3.28	6.72

Interpretation

The Earnings component indicates a period of severe profitability challenge followed by a strong recovery. The bank's efficiency in generating profits from its assets (ROA) nearly collapsed in 2018-19 but has since shown a remarkable, consistent rebound, almost reaching its initial high by 2023-24. This turnaround, supported by the stabilization of Net Interest Margin (NIM) and a recent surge in Interest Income to Total Assets (II/TA), confirms that the bank has successfully restored its core profitability and operational efficiency in the latter half of the decade.

Assets (A): Assesses asset quality and credit risk management.

- **Net NPA to Total Advances (NNPA/TADV):** Net Non-performing Assets / Total Advances
- **Net NPA to Total Assets (NNPA/TA):** Net Non-performing Assets / Total Assets
- **Gross NPA (GNPA):** Gross Non-performing Assets / Total Advances
- **Total Investment to Total Assets (TI/TA):** Total Investment / Total Assets

YEAR	NNPA/TA	NNPA/TADV	TI/TA
2014-2015	1.35	2.12	23.52
2015-2016	2.37	3.88	24.42
2016-2017	2.15	3.71	28.31
2017-2018	3.20	5.73	30.71
2018-2019	17.90	30.15	26.27
2019-2020	1.31	2.23	26.50
2020-2021	0.81	1.50	29.81
2021-2022	0.56	1.02	29.70
2022-2023	0.39	0.67	28.46
2023-2024	0.34	0.57	27.05

Interpretation

The Assets component is defined by a major asset quality crisis and its successful resolution. The critical spike in Net NPA ratios in 2018-19 highlighted severe credit risk. The subsequent drop in both NNPA/TADV and NNPA/TA to minimal levels by 2023-24 is the single most significant positive finding, indicating an extraordinary clean-up of the loan portfolio and drastically improved credit risk management practices. The asset base is now far healthier and more stable than in the mid-period of the study.

Growth (G): Reflects expansion and development over time.

- **Growth of Deposits (GOD):** Deposits in Current Year−Deposits in Previous Year / Deposits in Previous Year
- **Growth of Advances (GOA):** Advances in Current Year−Advances in Previous Year / Advances in Previous Year

YEAR	GOA	GOD
2014-2015	1.07	1.13
2015-2016	1.13	1.10
2016-2017	1.07	1.18
2017-2018	1.23	1.32
2018-2019	1.13	1.08
2019-2020	1.06	1.11
2020-2021	1.05	1.13
2021-2022	1.17	1.10
2022-2023	1.17	1.09
2023-2024	1.16	1.11

Interpretation

The Growth component highlights the bank's underlying strength in market positioning. Throughout the entire period, SBI demonstrated consistent, healthy growth in both Deposits (GOD) and Advances (GOA). This sustained performance in attracting and retaining funds (deposits) and deploying them effectively (advances) indicates strong market confidence, robust customer relationships, and a consistent ability to expand its operations despite the internal financial challenges faced mid-period.

LIQUIDITY (L): Evaluates the ability to meet short-term obligations.

- **Credit Deposit Ratio (CDR):** Total Advances / Total Deposit
- **Liquid Assets to Total Assets (LA/TA):** Liquid Assets / Total Assets
- **Total Investment to Total Deposits (TI/TD):** Total Investment / Total Deposit

YEAR	CDR	LA/TA	TI/TD
2014-2015	82.45	7.56	30.55
2015-2016	84.57	7.10	33.26
2016-2017	76.83	6.36	37.46
2017-2018	71.49	5.56	39.20
2018-2019	75.08	6.04	33.21
2019-2020	71.73	6.36	32.30

2020-2021	66.54	7.57	36.72
2021-2022	67.48	7.91	36.57
2022-2023	72.32	5.58	35.50
2023-2024	75.34	5.03	33.100

Interpretation

The Liquidity profile shows initial caution that has since normalized with a strategic shift in asset allocation. The Credit Deposit Ratio (CDR) dropped significantly during the period of financial distress, reflecting conservative lending. However, the subsequent rise in CDR demonstrates a renewed confidence in lending. Simultaneously, the declining trend in Liquid Assets to Total Assets (LA/TA) suggests that the bank is strategically moving assets from lower-yielding liquid instruments to higher-yielding loans as its asset quality improves, optimizing its balance sheet for higher returns.

Equity (E): Measures capital strength and resilience to absorb losses.

- **Capital Adequacy Ratio (CAR):** Total Capital / Risk-Weighted Assets
- **Advances to Total Assets (ADV/TA):** Advances / Total Assets

YEAR	CAR	AD/TA
2014-2015	12.00	63.48
2015-2016	13.12	62.08
2016-2017	13.11	58.06
2017-2018	12.60	56.01
2018-2019	12.72	59.38
2019-2020	13.06	58.85
2020-2021	13.74	54.02
2021-2022	13.83	54.82
2022-2023	14.68	57.99
2023-2024	14.28	59.94

Interpretation

The Equity component demonstrates robust and continuous strengthening of capital. The Capital Adequacy Ratio (CAR) has consistently improved over the decade, well exceeding minimum regulatory requirements. This increase provides a strong capital buffer to absorb losses and underpins the bank's overall stability. The recovery of the Advances to Total Assets (AD/TA) ratio in recent years confirms that the bank's strong capital position is supporting a renewed and more aggressive focus on its core lending business.

Suggestions

To ensure sustained high performance, SBI should focus on the following:

- Sustain Asset Quality (A): Maintain strict credit monitoring and underwriting standards to lock in the low NPA levels achieved post-crisis.
- Optimize Earnings (E): Focus on consistently pushing Return on Assets (ROA) above 1.0% and aggressively diversify income sources beyond core lending (NIM) through fee-based services.
- Strategic Capital Deployment (E, L): Leverage the strong CAR to fund strategic, low-risk lending while carefully managing liquidity risk associated with the increased proportion of advances to total assets.
- Maintain Growth Momentum (G): Continue to ensure consistent, quality growth in both deposits and advances, particularly utilizing digital channels to secure low-cost CASA deposits.

Conclusion

The core conclusion of the project is that the State Bank of India (SBI) successfully executed a major financial turnaround from a period of instability and high risk. The analysis, structured using the EAGLE model, revealed that the bank’s performance was initially defined by a severe asset quality crisis (high NPAs) around 2018-2019, which heavily impacted Earnings (E). However, the subsequent years showed a dramatic and successful recovery: Asset Quality (A) is now restored to excellent levels with Net NPAs at historical lows, and Earnings (E) have bounced back, with ROA returning to near pre-crisis profitability. Furthermore, the bank maintained consistent Growth (G) throughout the decade and significantly bolstered its Equity (E), evidenced by a rising Capital Adequacy Ratio (CAR). This demonstrates that SBI has successfully navigated its challenges, establishing a position of stability, strong capital, and restored operational efficiency by the end of the study period.

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Conflicts of interest
The authors declare that there are no conflicts of interest regarding the publication of this paper

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