

## A STUDY ON PERFORMANCE EVALUATION OF STATE BANK OF INDIA USING FINANCIAL PERSPECTIVE OF BALANCED SCORECARD

---

Dr. Ashok Kumar Gupta\*  
Dr. Meenu Maheshwari\*\*  
Mrs. Sudarshana Sharma\*\*\*

### ABSTRACT

*Measuring performance solely through financial measures was found to be inadequate and insufficient for evaluation of overall performance of any organization. Current competitive environment demands for continuous improvement and innovations. Financial measures depict only historical performance in the short run and lacks futuristic approach. It is necessary that performance measures should be consistent with current business environment, focused on intangible assets, must have predictive power and relevant for all levels of any organization and overall it must be able to create balance between financial and non-financial measures. Kaplan and Norton (1992) introduced such a tool as Balanced Scorecard which is a strategic performance measurement and management tool that translates organization's mission and vision into action. The aim of this study is to evaluate and compare the performance of State Bank of India during 2007-08 to 2016-17 using the Financial Perspective of Balanced Scorecard. Various Publication of Bank's Annual Reports have been used for data compilation for the study. Data has been analyzed with the help of tables, graphs, growth rates, percentages, mean etc. on MS-Excel. The study concluded that State Bank of India is able to maintain its financial strength over various Financial Parameters and is the 1st best performing bank in the public sector in terms of financial perspective however the net profits, return on equity, return on assets has continuously declined in last year. The bank remained well capitalized and able to maintain liquidity by maintaining cash-deposit and credit deposit ratios in last ten years. SBI experienced a rise in Non-performing assets and decline in earning quality. Reasons need to be identified and overall performance of the Bank should be evaluated on more measures under customer, internal processes, learning & growth, social and environment perspectives.*

**KEYWORDS:** *Balanced Scorecard, Performance Measurement, Financial Perspective.*

### Introduction

Measuring performance solely through financial measures was found to be inadequate and insufficient for evaluation of overall performance of any organization. Current competitive environment demands for continuous improvement and innovations. Financial measures depict only historical performance in the short run and lacks futuristic approach. It is necessary that performance measures should be consistent with current business environment, focused on intangible assets, must have predictive power and relevant for all levels of any organization and overall it must be able to create balance between financial and non-financial measures. An organization may be financially strong for the shorter time period because of its monopoly or by reducing other expenses like research & development expenses, training & development expenses or any other operating expenses but in the long run banks

---

\* Associate Professor, Department of ABST, Government Commerce College, Kota, Rajasthan, India.

\*\* Assistant Professor, Department of Commerce and Management, University of Kota, Kota, Rajasthan, India.

\*\*\* Research Scholar and Corresponding Author, Government Commerce College Kota, University of Kota, Rajasthan, India

may have start declining their profits. So to achieve the Strategic objectives, vision & mission of any bank both traditional financial measures and non-financial measures are crucial for measuring performance of modern digitalized banks.

For creating Balance between financial and non-financial measures, Kaplan and Norton introduced the concept of Balanced Scorecard in 1992 Harvard Business review article (Kaplan & Norton, 1992). Balanced Scorecard is a Strategic Performance Measurement and management tool that takes into account both non-financial and financial aspects on single dashboard. It helps an organization to set strategic objectives based on mission and vision statements and develops Key performance indicators related to Financial, Customer, Internal Processes and Learning & Growth perspectives which can be measured and evaluated so that the short term and long term both objectives can be achieved.

### **Review of Literature**

Various articles, books, research papers, project reports, thesis etc. are written and studied on Balanced Scorecard by different authors both at national and international level. In this part of paper, the researcher reviewed such studies and tried to find out the research gap in the arena of Balanced Scorecard.

**Fago (2010)**, in his article on, "Performance measurement using Balanced Scorecard-A case of Nepal", compared the overall performance of two commercial banks of Nepal using Balanced Scorecard from four different interlinked perspectives. For the study primary data has been collected through survey method using questionnaires and secondary data have been collected through banks websites and annual reports. The data have been analysed through percentage, growth rates, ratios and weighted average mean and presented using simple graphs and tables. The study concluded that bank B is found stronger than bank A in the overall performance measurement of banks on the basis of four perspectives of BSC. He suggested that future research can be extended by increasing number of sample firms and observations and more sophisticated statistical techniques can be used on data processing and analysis.

**Asante (2013)** in his study on, "Divisional Performance Evaluation tools employed by indigenous Ghanaian Banks" identified the different performance measures used by local Ghanaian banks and divisional branch managers. Samples of six Ghanaian banks were taken for the study. For the collection of primary data, a survey method using structured and un-structured interviews and questionnaires was used. Secondary data have been gathered through various publication of annual reports during 2009-2012. It has been concluded that the local Ghanaian banks uses both financial and non-financial measures in assessing the performance of their branches. Financial measures were considered more important than non-financial measures and majority of banks used different-different measures for assessing the performance of branches and branch managers.

**Baber and Akter (2016)**, "in their article on, "Developing a comprehensive Balanced Scorecard for the Banking Sector in Bangladesh: An Empirical Study" analysed the perspectives of the Balanced Scorecard that has significant impact on the performance of banks and mentioned a BSC model for the banking sector. For the study 26 banks were selected as the samples using stratified random sampling technique. Data have been collected through self-administered questionnaires that were filled by top managers and senior officers. A five point liker scale ranging from 1(never) to 5(always) has been used to assess the extent to which a bank uses the performance measurement variables. Fifteen factors were extracted explaining a total of 73.84% of the total variance from the factor analysis. The study revealed that the performance of banks is significantly and positively associated with the learning and growth measures usage of BSC. They concluded that banks should develop their own intellectual capabilities to survive in market place. The particular bank may customize the BSC model to its own needs, goals and capabilities.

**Mobarez and Elfar (2016)** in their study on, "Study of Using Balanced Scorecard to measure the Effect of Banking Information Technology to Sustain the Banking Performance (A Comparative Study)", aimed to determine the role of information technology in raising banking sector performance using Balanced Scorecard (BSC). A sample of 6 commercial banks in Egypt has been taken for the study which was selected on the basis of total assets. All employees of administrative level were selected as sample unit from all selected private and public sector Egyptian commercial banks. The study concluded that the information technology positively affects the performance of banks. Availability of more IT applications will increase the performance of banks. They suggested that strategic technological programs should be conducted by top management of banks for raising better performance by facilitating work in banks.

**Agyeman (2017)**, in his article on, “Balanced Scorecard as a tool for managing performance in selected Ghanaian banks”, assessed the perceptions of selected Ghanaian banks about the effect of BSC for measuring performance in banks. The 3 Ghanaian banks were selected as sample using purposeful sampling technique out of population size of 28 registered commercial or universal banks in Ghana. For collection of data, questionnaire was administered to bank executives. Out of 45 questionnaires 30 were filled and returned. It was found that all the perspective of BSc affects the performance of banks but Ghanaian banks relied on financial measures to a great extent.

### **Research Methodology**

- **Objectives of the Study**

The main objective of this study is to assess and compare the performance of State Bank of India using financial perspective of Balanced Scorecard from year 2007-08 to year 2016-17.

- **Sample Size and Collection of Data**

The study includes State Bank of India as a sample bank having the highest market capitalization among Public Sector Banks. Secondary data sources have been used for collection of data which mainly includes the various publication of annual reports and websites of SBI and RBI.

### **Tools and Techniques**

Data has been analyzed through Graphs, charts, percentages, ratios, mean etc. using MS-Excel.

### **Scope of the Study**

The study covers a time period of ten financial year from 2007-08 to 2016-2017.

### **Hypothesis of the Study**

**H<sub>0</sub>**: There is no significant difference in the performance of State Bank of India during the last 10 Years based on financial perspective of BSC.

**H<sub>1</sub>**: There is a significant difference in the performance of State Bank of India during the last 10 Years based on financial perspective of BSC.

### **Limitations of the Study**

- The study is restricted to State Bank of India only.
- The study is based on secondary data only.
- Tools and techniques used for analysing data are limited.

### **About State Bank of India**

Bank of Calcutta was the first bank established in India in 1806 which evolved into State Bank of India over a period of time. It is the oldest commercial public sector bank in the Indian Economy and largest Bank in terms of Assets, Deposits, branches, number of customers and employees. SBI is headquartered at Mumbai. The vision, mission and objectives of SBI are as follows:

#### **Vision**

- My SBI
- My Customer First
- My SBI First in Customer Satisfaction

#### **Mission**

- We will be prompt, polite and proactive with our customers.
- We will speak the language of young India.
- We will create products and services that help our customers achieve their goals
- We will go beyond the call of duty to make our customers feel valued.
- We will be of service even in the remotest part of our country.
- We will offer excellence in services to those abroad as much as we do to those in India.
- We will imbibe state-of-the-art technology to drive excellence.

### **Measurement of Performance Through Financial Perspective of Balanced Scorecard**

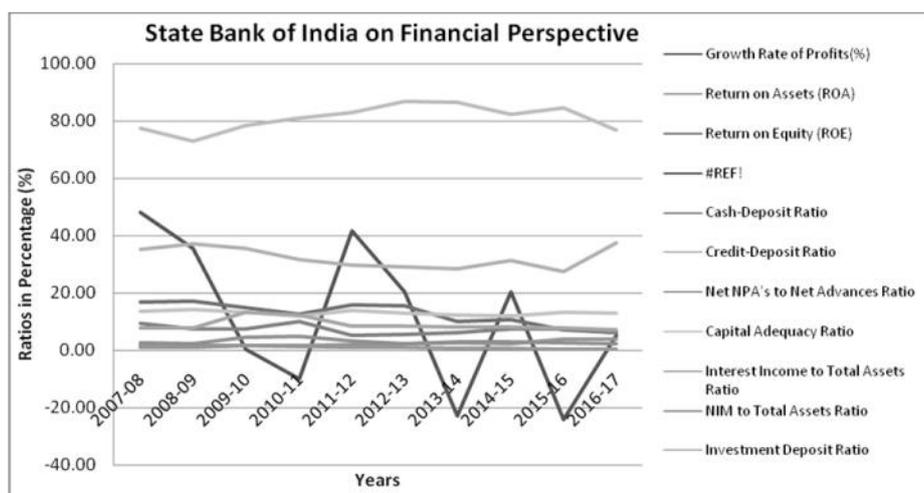
To measure and evaluate the performance of SBI bank on financial perspective following measures (as shown in Table 1) have been selected and evaluated

**Table 1: SBI Bank's Performance on Financial Perspective**

Strategic Objectives	Measures	Unit	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Mean
Healthy Growth In Profitability	Growth Rate of Profits (%)	%	48.18	35.55	0.49	-9.84	41.66	20.48	-22.78	20.30	-24.05	5.36	11.534
	Return on Assets (ROA)	%	1.04	1.08	1.71	1.24	0.91	0.97	0.65	0.68	0.46	0.42	0.845
Increasing Shareholder Value	Return on Equity (ROE)	%	16.75	17.05	14.80	12.62	15.72	15.43	10.03	10.62	7.30	6.31	12.029
	EPS	Rs.	126.6	143.77	144.37	130.16	184.31	210.06	156.76	17.55	12.98	13.43	75.911
Maintaining Liquidity	Cash-Deposit Ratio	%	9.59	7.49	7.62	10.11	5.18	5.47	6.09	7.35	7.49	6.26	7.108
	Credit-Deposit Ratio	%	77.55	73.11	78.58	81.03	83.13	86.94	86.76	82.45	84.57	76.83	80.980
Improving Asset Quality	Net NPA's to Net Advances Ratio	%	1.78	1.78	1.72	1.63	1.82	2.10	2.57	2.12	3.81	3.71	2.198
Capital Adequacy	Capital Adequacy Ratio	%	13.47	14.25	13.39	11.98	13.86	12.92	12.44	12.00	13.12	13.11	13.035
Improving Earning Quality	Interest Income to Total Assets(Average) Ratio	%	7.60	7.57	13.27	12.25	8.32	8.25	8.12	7.94	7.60	7.07	8.604
	NIM to Total Assets Ratio	%	2.64	2.48	4.43	4.89	3.38	2.37	2.93	2.86	2.64	2.49	3.018
	Investment Deposit Ratio	%	35.26	37.19	35.54	31.65	29.91	29.18	28.56	31.39	27.57	37.46	32.184

Source: Compiled from Annual Reports & other reports of SBI Bank from 2007-08 to 2016-17

**Graphical Presentation**



### Interpretation and Analysis

- The Net profits of the SBI bank have a declining trend in the last ten years. The growth rate has been declined from 48.18% in 2007-08 to 5.36% in 2016-17, less than the mean of 11.53% for 10 years. Return on average assets has been decreased to 0.42% in 2016-17 from 1.04% in 2007-08.
- Return on equity and Earnings per share are the measures used to measure the shareholder value. Both the ratios has beenvolatile trend in last ten years. Return on equity reached to 6.31% in 2016-17 from 16.75% in 2007-08 less than the mean value of 12.029%.
- To repay the deposits on time & demand, banks are required to keep sufficient cash out of its deposits. SBI has maintained sufficient liquidity yet the cash deposit ratio reached to 6.26% in 2016-17 from 9.59% in 2007-08.
- Increase in credit-deposit ratio depicts that bank creates more credit out of its deposits and do not keep its deposits idle. The CD ratio has been increased from 77.55% in 2007-08 to 86.94% in 2012-13 and then decreased to 76.83% in 2016-17 which is less than then the mean of 80.98%.
- Increase in growth rate of credit granted to customers and insufficient recovery of such credit on time by recovery department results in increase on Net NPA's. The NPA to net advances ratio has been increased to 3.81% in 2015-16 from 1.78% in 2007-08 and then slightly declined to 3.71% in 2016-17.
- As per the BASEL III norms of RBI on capital regulation, all banks are required to maintain at least 9 % capital adequacy ratio on regular basis. SBI has maintained its capital adequacy ratio in the last ten years.
- Interest Income to total average assets ratio increased from 7.60 % on 2007-08 to 13.27%in 2009-10 and had a declining trend after that and reached to 7.07% in 2016-17. NIM to total assets ratio has been increased from 2.64% in 2007-08 to 4.89% in 2010-11 and then decreased to 2.49% in 2016-17. Both the ratios indicated that bank has a declining trend in its earning quality.
- Investment Deposit Ratio has a volatile trend during 2007-08 to 2015-16 and increased to 37.46% in 2016-17 from 27.57% in 2015-16. This may be due to more investment in government securities, bonds or any other safe instruments in this year as they have low risk and are safer instruments.

### Conclusion and Suggestions

It has been concluded that State Bank of India is able to maintain its financial strength over various Financial Parameters and is the 1st best performing bank in the public sector in terms of financial perspective however the net profits, return on equity, return on assets has continuously declined in last year's. The bank remained well capitalized and able to maintain liquidity by maintaining cash-deposit and credit deposit ratios in last ten years. SBI experienced a rise in Non-performing assets and decline in earning quality. State bank of India is the largest bank in terms of assets, deposits, branches, number of customers and employees. Bank has continuously upgraded its technology to provide value to customers and done various changes in internal processes to reduce costs and enhance productivity yet there is decline in financial performance of bank. Reasons need to be identified for decline in financial performance of bank and overall performance of the Bank should be evaluated on more measures under customer, internal processes , learning & growth, social and environment perspectives which affects the financial performance directly. More statistical tools and techniques can be used for analysing the data.

### References

- Agyeman B. (2017). Balanced Scorecard as a Tool for Managing Performance in Selected Ghananian Banks. *European Journal of Research & Reflection in Educational Sciences*. 5(5). 5-12.
- Asante, O.K. (2013). Divisional Performance Evaluation Tools Employed by Indigenous Ghananian Banks. *Research Journal of Finance and Accounting*. 4(17). 213-218.
- Awadallah Emad A. & Allam A. (2015). A Critique of the Balanced Scorecard as a Performance Measurement Tool. *International Journal of Business and Social Science*. 6(7). 91-99.

- 224 Inspira- Journal of Modern Management & Entrepreneurship (JMME), Volume 08, No. 02, April, 2018
- Baber, MD. and Akter, M. (2016). Developing a Comprehensive Balanced Scorecard for the Banking Sector in Bangladesh: An Empirical Study. *Journal of Business Studies*. XXXVII (1). 159-186.
  - Fago, G. (2010). Performance Measurement using Balanced Scorecard-A Case of Nepal. *Management Dynamics-A Journal on Management and Economics*. 14(1). 1-9.
  - Kaplan, R.S. & Norton, D.P. (1992). The Balanced Scorecard – Measures that Drive Performance. *Harvard Business Review*, 70(1), 71- 79.
  - Kaplan, Robert S. (2010). Conceptual Foundations of the Balanced Scorecard. Harvard Business School Working Paper, No.-10-074.
  - Mobarez, O.M. and Elfar, M.H. (2016). Study of Using Balanced Scorecard to Measure the Effect of Banking Information Technology to Sustain the Banking Performance (A Comparative Study). *IOSR Journal of Business and Management*. 18(5). 24-29.
  - [www.sbi.co.in](http://www.sbi.co.in)
  - [www.moneycontrol.com](http://www.moneycontrol.com)
  - [www.rbi.org.in](http://www.rbi.org.in)
  - [https://ijbssnet.com/journals/Vol\\_6\\_No\\_7\\_July\\_2015/9.pdf](https://ijbssnet.com/journals/Vol_6_No_7_July_2015/9.pdf)
  - [https://www.researchgate.net/publication/321232542\\_Using\\_Balanced\\_Scorecard\\_forManaging\\_Performance\\_in\\_Selected\\_Ghanaian\\_Banks](https://www.researchgate.net/publication/321232542_Using_Balanced_Scorecard_forManaging_Performance_in_Selected_Ghanaian_Banks)
  - <http://iiste.org/Journals/index.php/RJFA/article/view/8993/9226>
  - <http://www.iosrjournals.org/iosr-jbm/papers/Vol18-issue5/Version-2/C1805022429.pdf>
  - [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2692746](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2692746).

