A STUDY ON THE PERFORMANCE OF SBI AND ASSOCIATE BANKS IN INDIA

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ABSTRACT

The present study focuses on the bank specific determinants of Profitability of SBI and its Associates. The study has employed multiple regression analysis using the time series data for the study period 2006 - 20017. ROA, ROE & NIM are assumed as dependent variable and GNPA, CAR, CADR, ROI, GNPA, COD, ITA are chosen as independent variable. The most interesting result for profitability measure return on average assets is that CAR which has reported a negative insignificant relationship with ROA which is not in line with the previous studies .For SBI and its associates, these are the major determinants of profitability GNPA, CAR, CADR, ROI, GNPA and CAR. For State Bank of INDIA, these are the major determinants of profitability and ICTA. For State Bank of GNPA, CAR, CADR, ROI, GNPA, COD, ITA Bikaner and Jaipur, these are the major determinants of Profitability, ICTA, IITA, NIITA and CAR. For State Bank of Hyderabad, these are the major determinants of profitability NIM, ICAR, CADR, ITA and CAR. IITA, NPA. For State Bank of Mysore, these are the major determinants of profitability NIM, NIITA and CAR. For State Bank of Patiala, these are the major determinants of profitability IITA, NIITA, ICAR, NIM and CAR. For State Bank of Travancore, these are the major determinants of profitability, ITA, IITA, CAR and .Additional aspects in the analyses, would help to even better understanding of the determinants of bank profitability.

Keywords: *SBI, Associate Banks, Subsidiary Banks, Public Sector Banks.*

1.1 INTRODUCTION

Banking sector is backbone of economy in the country. The finance collected from this sector works in economy as blood works in the body. The banking sector is characterized by various services such as account facility, ATM facility, loan facility, mutual fund facility and many other financial services. These services help a citizen to facilitate his/her work life and private life in many ways. In India the banking sector is witnessed various changes after liberalization and globalization. These changes mould and change the structure of banking system. After globalization many banks has entered in India and has gave tough competition to the existing banks in India. In India few public and few private sector banks were operating since conceptualization of this sector but now they have to face severe competition from the foreign banks to sustain in the market and consequently many amendments were made by these domestic players to attract customers. Though the „own country bank" factor has played important role in the sustainment of these domestic banks because customers can easily rely on these banks and undoubtedly want to transact and make relations with domestic banks. Due to this reason, presently as well many foreign banks has stepped into our country but still not well established. The new generation is open minded in terms of new change and want to avail new facilities offered by foreign banks therefore preferring the foreign banks over domestic banks and now gradually the way of foreign banks is becoming easier in India. But the present study is focusing on the domestic banks and tries to study the financial performance of domestic banks to present the picture before the masses by comparing the public and private sector banks so that the investors, bankers, customers and government can see the insight of domestic banks to make the relation with these banks in future.

1.2 REVIEW OF LITERATURE

Singh B A and Tandon P (2012) affirmed that banking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people. The State Bank of India, popularly known as SBI is one of the leading bank of public sector in India. ICICI Bank is second largest and leading bank of private sector in India. The present study is conducted to compare the financial performance of SBI and ICICI Bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2007-08 to 2011-12. The study

found that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI. Kumbirai M and Webb R (2010) investigates the performance of South Africa‟s commercial banking sector for the period 2005- 2009. Financial ratios are employed to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector. Mohi-ud-Din Sangmi and Nazir T (2010) stated that sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India. This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned.

1.3 OBJECTIVES OF THE STUDY

1. To study the determinants of performance in State Bank of India and its associate banks.
2. To examine the relationship between dependent variables such as Return on Asset & Return on Equity and independent variables such as NPA Interest

1.4 STATEMENT OF THE PROBLEM

Many researches are done by considering the profitability of private sector banks and public sector banks. The profitability indicators of private banks such as return on assets and return on equity are gaining importance since RBI has been using these as eligibility criteria for capital infusion. Profitability of banks is affected by various factors like macro-economic condition, managerial efficiency and control, legal restrictions and NPA factors etc., and Profitability is not just affected by interest income but also by non-interest income. Banks are these days entering into diversified activities in order to cope up the cut throat competition. In this theoretical context, the present study aims to identify the relationship between internal variable and bank performance in terms of profitability

1.5 RESEARCH METHODOLOGY

The study has been conducted with reference to the data related to SBI and ASSOCIATES bank. These banks have been studies with the belief that they hold the largest market share of banking business in India, in their respective sector. The study examines the financial performance of Indian banks based on the variables and compares the performance of SBI and associate banks for the period of 2010-11 to 2006-17. For evaluating the performance of banks, the world renowned UNITROOT is adopted. CAMEL rating which includes the analysis of Capital Adequacy, Asset Quality, Management Quality, Earnings Quality and Liquidity of the banks. It is considered the best method for evaluating performance and health of the banks since it considers all areas of banking operations. The study is an exploratory and analytical in nature with an attempt to explore the financial performance of public sector and private sector banks with reference to SBI and associate banks.

1.6 SAMPLING PLAN

Data covers Profit and Loss A/C, Balance Sheets, Financial Highlights for a period of ten years from 2010-11 to 2006-17 of SBI and ASSOCIATES Banks.

1.7 SOURCES OF DATA COLLECTION

For this research proposal secondary source of data collection was used in the form of reports through internet.

2. TOOLS FOR DATA COLLECTION

The data required for the study will be collected from- Annual reports of respective banks Journals and reports on trends Newspapers, magazines Progress of Banking of India Government publications Books and websites.

3. RESEARCH TOOLS

For the purpose of this study, tools such as Descriptive Statistics, Correlation and Multiple Regression Analysis are used. Correlation is used to find the Positive and negative relationship among the selected variables. Multiple Regression Analysis has been employed to analyze the influence of independent variables over dependent variable.

Multiple Regression Model has been framed using the following equation:

PROF = **α** +**β**1 **ROA** + **β**2 ROE + **β**3 **NIM**+ **β**4 **ITA** + **β**5 **CDR** + **β**6

CAR+ **B**7**NPA**+**β**8 **CADR**+ **β8ROI**+ **β9ITA**+**COD β10** ξ

Where;

PROF = ROA and ROE, **α = Constant, β**1 – **β**8 **= Coefficients, ξ = Error**Term

VARIABLE DEFINITIONS:

Variables	Proxies
ROA	Net Profit to Total Assets
ROE	Net Profit to Net Worth
NIM	Net Interest Income
CADR	Cash Deposit Ratio
CAR	Credit Deposit Ratio
IITA	Interest Income to Total Assets
CAR	Capital Adequacy Ratio
GNPA	Gross Non Performing Assets
COD	Cash on Deposits
ROI	Return on Investment

Sampling Variables For applying regression technique following variables taken as independent and dependent variables: Independent Variables- Total income, total expenditure, advances, capital, assets; Dependent Variables – Profit before tax, profit after tax, NPA.

Expected Contribution: The analysis made a part of this study may contribute in a way analysis of strength and weakness of the banking sector as whole with regard to Various banks from different categories together may make efforts to overcome limitations for lending money to different sectors like agricultural, SSI, Priority- non-priority sector, public sector & others.

3.1 BENEFICIARIES OF RESEARCH STUDY

3.1.1 Banks

This research will very helpful for both the banks to take necessary measures for improve their financial performance in terms of increase profit, reduction in expenses. Investors: Investors of the whose called shareholders are also get benefitted from this research to know that how much return they are earning in terms of return on investment, return on assets, and profits.

3.1.2 Customers

These are those people who also called account holders, they only will deposit their funds when they will get maximum interest in comparison of other banks, so the bank only give more interest when they will have surplus profits, for measure such profit this study will help them.

3.1.3 Further Researchers

The major beneficiaries from the project would be the researchers themselves as this study would enhance their knowledge about the topic. They get an insight of the present scenario of this industry as this is the emerging industry in the financial sector of the economy.

3.3. Students

This study will be highly helpful for the students to get the understanding of financial performance.

INVESTMENT ANALYST'S POINT OF VIEW

The determination of the feasibility of the investment scheme is a problem often faced by the investors. Most of them usually seek the assistance of an investment analyst, who is a different breed from the economist and the accountant. Investment analyst makes use of many parameters like operating profit margin, net profit, earnings per share, price earnings ratio, sales, gross profit, book value of assets etc. along with industry and economy analysis. The main objective of the analyst is to study the behavior of these fundamental variables which influence 6 the market price of shares. In this analysis, he makes use of profit in one form or other.

4. PROFITABILITY

Having seen the concept of profit, we will now present the concept of profitability. Profits are the reminder available after deducting the cost of operation from the operational revenue. But profitability is the profit making ability of a business organization. It is an index of operational efficiency. The Profit as an absolute figure does not give an exact picture of the financial performance of the enterprise. The residual profit figure is always a confusing one due to variations in the size of investments or the volume of business. It is therefore, necessary to relate the profit figure with some business attributes and derive quantitative relations in the form of ratios or percentages.12 Profitability describes this relative Position of the profits in terms of some selected parameters. Profitability projects the profit making ability of the business, denoting either constant; ir improved or deteriorated state of such ability during a given period of time.

4.1 BANK AND ITS ENVIRONMENT

The discussion has so far centered around the concepts of profit and profitability. It would now present these concepts in the context of banks. Prior to that, an analysis of the environment in which the banks operate would be in order. A bank is a financial institution that accepts Deposits from the public, for the purpose of lending. A banker holds the most privileged asset of any businessman. It is the confidence of his customers. He creates this asset mostly by honouring the customers' demands in time and by providing other customer services. The banker accepts Deposits from the customers on the condition that it will be repaid on demand. The success of the banker in mobilizing Deposits depends on his ability in meeting this obligation.. This calls for the maintenance of sufficient liquid cash reserves in hand But the banker is a businessman too. Liquidity brings customer satisfaction; not profits. A banker is judged only by his ability to generate profits without sacrificing liquidity. The art of banking consists in solving this basically conflicting requirements of being safe and yet profitable. The banking traditions give us. The picture of the banker as a cautious businessman, who practice the doctrine of real bills,15 in every deal he makes.

4.2 BANKS' PROFIT

Profit is the most important performance parameter of a bank. It is the difference between the income from operations and the cost incurred for such operations. Banking is a service oriented industry'. The efficiency of a bank is reflected not only by its profit, but also by the growth in the other factors like the total amount of Deposits, advances, working funds, income, expenditure, number of accounts, branches, etc. To make profit, a bank is expected to perform well in almost every one of these areas. As a service industry, profit making is not the main motive of the banks. But it is essential for the bank's survival as a business organization. A profit making bank is one that enjoys effective resource management, adopts well planned systems and procedures, and one that is cost- conscious, productivity-conscious and profitability conscious. A profit-making bank is in a Position to enjoy the following:

- It is in a Position to strengthen its own fund base.
- It is capable of building good image by meeting obligations promptly.
- It is in a Position to fulfill its social obligations by meeting the financial needs of the weaker sections.
- It is an indicator of the National Income and it acts as an accelerator of economic growth.

During the last two decades, the banking sector all around the world has experienced some profound changes, as innovations in technology and the inevitable forces driving globalization which creates both opportunities for growth and challenges for banking industry to remain profitable in this increasingly competitive environment. These major transformations in environment, resulting in significant impacts on its performance. Bank performance has substantive repercussions (effects) on income, Non-interest income, Capital Adequacy Ratio, Gross Non Performing Assets, and Intermediation Cost to total Assets investment, firm growth, industrial expansion and economic development. Profitability is necessary for a bank to maintain ongoing activity and for its shareholders to obtain fair returns. Thereby, both external and internal factors have been affecting the profitability of banks over time. Therefore, the determinants of bank performance have attracted the interest of academic research as well as of bank management, financial markets and bank supervisors/regulators .Thus, research on the determinants of the profitability has important for policy implications, which makes it interesting to study. This paper aims to investigate the determinants of SBI and its associates during the period from 2006-2017.

5. ANALYSIS AND INTERPRETATION

Table Showing Descriptive Statistics Of SBI and its associate banks in India.

TABLE 5.1 - UNIT ROOT TEST

Null Hypothesis: LROA has a unit root				
Exogenous: Constant				
Lag Length: 1 (Automatic - based on SIC, maxlag=11)				
			t-Statistic	**Prob.***
Augmented Dickey-Fuller test statistic			-3.103881	0.0301
Test critical values:	1% level		-3.512290	
	5% level		-2.897223	
	10% level		-2.585861	
*MacKinnon (1996) one-sided p-values.				
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(LROA)				
Method: Least Squares				
Date: 03/13/18 Time: 07:51				
Sample (adjusted): 3 84				
Included observations: 82 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
LROA(-1)	-0.379242	0.122183	-3.103881	0.0027
D(LROA(-1))	-0.291300	0.112564	-2.587873	0.0115
C	-0.037290	0.021329	-1.748313	0.0843
R-squared	0.323144	Mean dependent var		-0.006203
Adjusted R-squared	0.306008	S.D. dependent var		0.209311
S.E. of regression	0.174369	Akaike info criterion		-0.619389
Sum squared resid	2.401954	Schwarz criterion		-0.531338
Log likelihood	28.39495	Hannan-Quinn criter.		-0.584038
F-statistic	18.85803	Durbin-Watson stat		2.018509
Prob(F-statistic)	0.000000			

Table 4.1 displays the unit root test results of all the commercial banks. It is important that macroeconomic variables used in the study must be stationary. If the variables are not stationary, it is assumed that they include stochastic or deterministic trends. In order to check whether the time series data are stationary or non-stationary, Augmented Dickey-Fuller (ADF) Unit Root test has been applied. The analytical results reveal that all the endogenous and exogenous variables are stationary at level. The rejection of null hypothesis against the alternative hypothesis implies that all the time series variables are stationary and integrated the order of zero i.e., 1(0). To further validate and strengthen the results, first difference of the series has been taken to ensure stationary of the data. $Yt = Yt{-}1 + \delta + t$, t = 1, 2, T, or $\Delta Yt = \delta + t$.

The above table confirms that the Coefficient value -0.037290, than the level of significant. The co efficient value should not cross the value 0.0301. if it cross the value is not acceptable one.

Table 5.2 - Unit Root Test

1% level	-3.512290
5% level	-2.897223
10% level	-2.585861

Then, R-square value is 0.323 it always representing the level of following significant value greater than or lesser then table value, it deals with level of significant.

Table 5.3 - Descriptive Statistics of SBI and its Associates

LROE vs All INDEPENDENT VARIABLES

Null Hypothesis: LROE has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, maxlag=11)				
			t-Statistic	**Prob.***
Augmented Dickey-Fuller test statistic			-2.654905	0.0864

Test critical values:	1% level		-3.511262	
	5% level		-2.896779	
	10% level		-2.585626	
*MacKinnon (1996) one-sided p-values.				
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(LROE)				
Method: Least Squares				
Date: 03/13/18 Time: 07:57				
Sample (adjusted): 2 84				
Included observations: 83 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
LROE(-1)	-0.158904	0.059853	-2.654905	0.0095
C	0.146576	0.064099	2.286705	0.0248
R-squared	0.080053	Mean dependent var		-0.005470
Adjusted R-squared	0.068695	S.D. dependent var		0.271797
S.E. of regression	0.262295	Akaike info criterion		0.185109
Sum squared resid	5.572701	Schwarz criterion		0.243394
Log likelihood	-5.682024	Hannan-Quinn criter.		0.208525
F-statistic	7.048521	Durbin-Watson stat		1.796234
Prob(F-statistic)	0.009548			

Table 5.3 displays the unit root test results of all the public and private sector commercial banks. It is important that macroeconomic variables used in the study must be stationary. If the variables are not stationary, it is assumed that they include stochastic or deterministic trends. In order to check whether the time series data are stationary or non-stationary, Augmented Dickey-Fuller (ADF) Unit Root test has been applied. The analytical results reveal that all the endogenous and exogenous variables are stationary at level. The rejection of null hypothesis against the alternative hypothesis implies that all the time series variables are stationary and integrated the order of zero i.e., 1(0). To further validate and strengthen the results, first difference of the series has been taken to ensure stationary of the data.

Table 5.4 – R-Square Value

R-squared	0.080053			
LROE(-1)	-0.158904	0.059853	-2.654905	0.0095
C	0.146576	0.064099	2.286705	0.0248

The coefficient value should not exceed the R –squared. But, in this table the c value has crossed the value of R Hence, it is not significant.

Table 5.5 - Correlation (ROA vs. All Independent Variables)

Variables	**LROA**
LROA	1.000000
LCDR	-0.114561
LCAR	-0.182892
LCDR01	-0.273120
LCOD	-0.170845
LITA	-0.183934
LNPA	-0.086567
LROI	-0.198359

Interpretation:

Table 5.5 presents the Pearson correlation coefficients for the variables used in the study. Multiple regressions were run in SPSS using the Enter Method to test the set hypotheses or more clearly to test how the independent variables explain the Profitability. Before running the regression, investigation into the problem was carried out using the Pearson Correlation method. First of all, bivariate (pair-wise) correlations among the independent variables were examined to find out the problem. The existence of correlation of about 0.80 or larger indicates that there is problem of (Lewis-Back 1993). None of the pair-wise coefficient of correlation was 0.08 or larger. Table 4 depicts that the highest correlation coefficient value of ROA variable -0.26 which is near to 0.08 but do not exceed the limit.

Table 5.6 - Correlation (ROE vs. All Independent Variables)

Variables	LCAR	LCDR	LCDR01	LCOD	LITA	LROI	LROE	LNPA
LCAR	1.000000	0.949158	0.989456	0.970813	0.988853	0.986123	-0.182892	0.137516
LCDR	0.949158	1.000000	0.935371	0.936852	0.943565	0.938322	-0.114561	0.084289
LCDR01	0.989456	0.935371	1.000000	0.963137	0.982836	0.976600	-0.273120	0.135767
LCOD	0.970813	0.936852	0.963137	1.000000	0.991811	0.975407	-0.170845	0.208332
LITA	0.988853	0.943565	0.982836	0.991811	1.000000	0.992296	-0.183934	0.202114
LROI	0.986123	0.938322	0.976600	0.975407	0.992296	1.000000	-0.198359	0.214782
LROA	-0.182892	-0.114561	-0.273120	-0.170845	-0.183934	-0.198359	1.000000	-0.086567
LNPA	0.137516	0.084289	0.135767	0.208332	0.202114	0.214782	-0.086567	1.000000

Interpretation:

Table 5.6 presents the Pearson correlation coefficients for the variables used in the study. Multiple regressions were run in SPSS using the Enter Method to test the set hypotheses or more clearly to test how the independent variables explain the Profitability. Before running the regression, investigation into the multicollinearity problem was carried out using the Pearson Correlation method. First of all, vicariate (pair-wise) correlations among the independent variables were examined to find out the multicollinearity problem. The existence of correlation of about 0.0 or larger indicates that there is problem of multicollinearity (Lewis-Back 1993). None of the pair-wise coefficient of correlation was 0.50 or larger. Table 4.2 depicts that the highest correlation coefficient value ROA variable. -0.182892 which is near to 0.8 but do not exceed the limit.

Table 5.7 - Correlation (NIM vs. All Independent Variables)

Variables	LNIM
LNIM	1.000000
LCAR	0.857617
LCDR	0.821523
LCDR01	0.811667
LCOD	0.839654
LITA	0.871265
LNPA	0.382555
LROI	0.896357

Interpretation:

Table 5.7 presents the Pearson correlation coefficients for the variables used in the study. Multiple regressions were run in SPSS using the Enter Method to test the set hypotheses or more clearly to test how the independent variables explain the Profitability. Before running the regression, investigation into the multicollinearity problem was carried out using the Pearson Correlation method. First of all, bivariate (pair-wise) correlations among the independent variables were examined to find out the multicollinearity problem. The existence of correlation of about 0.80 or larger indicates that there is problem of multicollinearity (Lewis-Back 1993). None of the pair-wise coefficient of correlation was 0.50 or larger. Table depicts that the highest correlation coefficient value of NIM variable .0.85 which is near to 0.5 but do not exceed the limit.

Table 5.8 – ROA Coefficients

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.785[a]	.616	.581	.12700
a. Predictors: (Constant), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA				

ANOVA[b]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.971	7	.282	17.453	.000[a]
	Residual	1.226	76	.016		
	Total	3.196	83			
a. Predictors: (Constant), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA						
b. Dependent Variable: LROA						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.001	.033		.044	.965
	LCDR	.299	.139	.516	2.145	.035
	LCADR	-1.525	.149	-5.627	-10.213	.000
	LITA	4.749	.908	8.560	5.230	.000
	LCOD	-2.120	.515	-3.360	-4.120	.000
	LROI	-2.016	.419	-3.488	-4.810	.000
	LNPA	-.060	.061	-.085	-.993	.324
	LCAR	1.461	.339	3.144	4.312	.000
a. Dependent Variable: LROA						

In the above table, it is explained that Explanatory power of the model as indicated by R^2 (multiple coefficient of determination) and adjusted R^2 is fairly good. The model explains around 6.1% of the variation in the dependent variable/ ROA. The adjusted explanation of the model is about 58%. The F value which is a measure of overall significance of the estimated regression and also a test of significance of R^2 is 17.45.

Table 5.9 – ROE Coefficients

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.975[a]	.950	.946	.11217
Predictors: (Constant), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA				

ANOVA[b]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	18.284	7	2.612	207.591	.000[a]
	Residual	.956	76	.013		
	Total	19.240	83			
a. Predictors: (Constant), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA						
b. Dependent Variable: LROE						

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.000	.029		.007	.995
	LCDR	.177	.123	.125	1.440	.154
	LCADR	-.560	.132	-.842	-4.245	.000
	LITA	5.586	`.802	4.104	6.966	.000
	LCOD	-2.959	.455	-1.912	-6.511	.000
	LROI	-2.141	.370	-1.509	-5.781	.000
	LNPA	-.317	.053	-.183	-5.934	.000
	LCAR	1.103	.299	.968	3.686	.000
a. Dependent Variable: LROE						

Explanatory power of the model as indicated by R^2 (multiple coefficient of determination) and adjusted R^2 is fairly good. The model explains around .95% of the variation in the dependent variable/ ROE. The adjusted explanation of the model is about .94%. The F value which is a measure of overall significance of the estimated regression and also a test of significance of R^2 is .207%Coefficient table represents the estimated results. After checking up the multicollinearity problem and nonexistence of the regression was run with ROE as dependent and ROI, I, ITA, CAR, GNPA, CAR, CDAR, COD as independent variables. The significant value of F (.000<.05) proves that the relationship between the ROE and determinants are linear. GNPA and ICTA are found to have negative co-efficient, they are significant at 1% level. , NIITA shows the Positive coefficient, they are significant at 1% level except IITA and CAR which is at 5% level of significant.

Table 5.10 – NIM Coefficients

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.983[a]	.967	.964	.03582
a. Predictors: (Constant), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA				

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.001	.009		.056	.956
	LCDR	.118	.039	.212	3.007	.004
	LCADR	-.613	.042	-2.354	-14.551	.000
	LITA	2.313	.256	4.341	9.033	.000
	LCOD	-1.573	.145	-2.594	-10.835	.000
	LROI	.249	.118	.449	2.109	.038
	LNPA	.101	.017	.149	5.930	.000
	LCAR	.334	.096	.749	3.498	.001
a. Dependent Variable: LNIM						

Explanatory power of the model as indicated by R^2 (multiple coefficient of determination) and adjusted R^2 is fairly good. The model explains around -96% of the variation in the dependent variable/ ROE. The adjusted explanation of the model is about 96%. The F value which is a measure of overall significance of the estimated regression and also a test of significance of R^2 is 14.55 %. The above table exhibits the estimated results. After checking up the problem and nonexistence of, the regression was run with ROE as dependent and SPREAD, IITA, NIITA, CAR, GNPA, ICTA as independent variables. The significant value of F (.000<.05) proves that the relationship between the ROE and determinants are linear. CAR, GNPA and ICTA are found to have negative co-efficient, they are insignificant at 5% level except CAR and ICTA which is insignificant. NIITA shows the Positive coefficient, they are significant at 1% level. NIM& IITA also shows the Positive coefficient which is at 5% level except spread which is insignificant

FINDINGS

- ✓ IITA, NIITA shows the Positive coefficient, they are significant at 1% level except IITA and CAR which is at 5% level.
- ✓ With ROE as dependent variable, CAR, NPA and ICTA are found to have negative co-efficient, they are insignificant at 5% level except CAR and ICTA which is insignificant. NIITA shows the Positive coefficient, they are significant at 1% level. ROA& IITA also shows the Positive coefficient which is at 5% level except spread which is insignificant.
- ✓ With ROE as dependent variable NIM and CAR shows the Positive coefficient, they are significant at 1% level. IITA, NIITA, ICTA shows the Positive coefficient, they are significant at 5% level. NPA is found to have

negative co-efficient which shows that these variable have an inverse impact on ROE (dependent variable). In State Bank of Patiala, it had been found that with ROA as dependent variable IITA and ITA.

✓ In State Bank of India, it had been found that with ROA as dependent variable SPREAD, CAR shows the Positive coefficient, they are significant at 1% level. IITA, NIITA and ICTA shows the Positive coefficient, they are significant at 5% level. GNPA is found to have negative co-efficient which shows that these variable have an inverse impact on ROA (dependent variable).

✓ In State Bank of Bikaner and Jaipur, it had been found that With ROA as dependent variable GNPA and NIITA shows the Positive co-efficient, they are significant at 1% level. is), LCAR, LNPA, LCDR, LCOD, LCADR, LROI, LITA found to have negative co-efficient which shows that these variable have an inverse impact on ROA (dependent variable.

✓ With ROE as dependent variable LITA, CAR shows the Positive coefficient, they are significant at 1% level. SPREAD, LNPA and CDR shows the Positive coefficient, they are significant at 5% level. IITA is found to have negative co-efficient which shows that these variable have an inverse impact on ROE (dependent variable).

SUGGESTIONS

✓ State Bank of India and its associate has a negative relationship of CAR with ROE does not contribute to increase the profitability. Therefore banks have to optimally utilize the shareholders fund.

✓ State Bank of India has a negative relationship with Interest Income to Total Assets. So, the bank has to increase the interest income in proportion to the level of shareholders.

✓ State Bank of Bikaner and Jaipur has a negative relationship with NIM and CAR. So the bank has to efficiently utilize the capital and it has to increase to interest income which is not in proportion to the rise in interest expenditure.

✓ State Bank of Hyderabad has a negative relationship with NIM so the bank has to optimally utilize the operating expenses and the bank has a Positive relationship with ICAR, so the intermediation cost has to be reduced.

✓ State Bank of Mysore has a negative relationship with ITA. SBM has to take all the measures to increase interest income of the bank

CONCLUSION

The present study focuses on the bank specific determinants of Profitability of SBI and its Associates .The study has employed multiple regression analysis using the time series data for the study period 2006 -20017. ROA & ROE is assumed as dependent variable and Spread, NIM ITA, CAR, GNPA, ICTA are chosen as independent variable. The most interesting result for profitability measure return on average assets is that CAR which has reported a negative insignificant relationship with ROA which is not in line with the previous studies .For SBI and its associates, these are the major determinants of profitability, IITA, ITA and CAR. For State Bank of INDIA, these are the major determinants of profitability, CAR, IITA, lTA and ICTA. For State Bank of Bikaner and Jaipur, these are the major determinants of profitability, GNPA, IITA, ROI and CAR. For State Bank of Hyderabad, these are the major determinants of profitability NIM, ICAR, CADR, ITA and CAR. IITA, NPA. For State Bank of Mysore, these are the major determinants of profitability NIM, ROE and CAR. For State Bank of Patiala, these are the major determinants of profitability ROI, CADR, ICAR, NIM and CAR. For State Bank of Travancore, these are the major determinants of profitability, ITA, IITA, CAR and .Additional aspects in the analyses, would help to even better understanding of the determinants of bank profitability. Also, it could be fruitful to integrate specific characteristics about the management and board members, e.g., education, skill level, experience, independence and corporate governance, all of which are increasingly important factors to understand bank profitability. Some of these issues will be addressed in future empirical studies

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