

# Capstone Project: Financial Services

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# Agenda

- Evolution of Financial Industry
- SBI – History and Evolution
- SWOT and PESTEL
- Financials – Growth & Profitability
- Competitive Advantage



State Bank  
of India



JP Morgan  
Chase



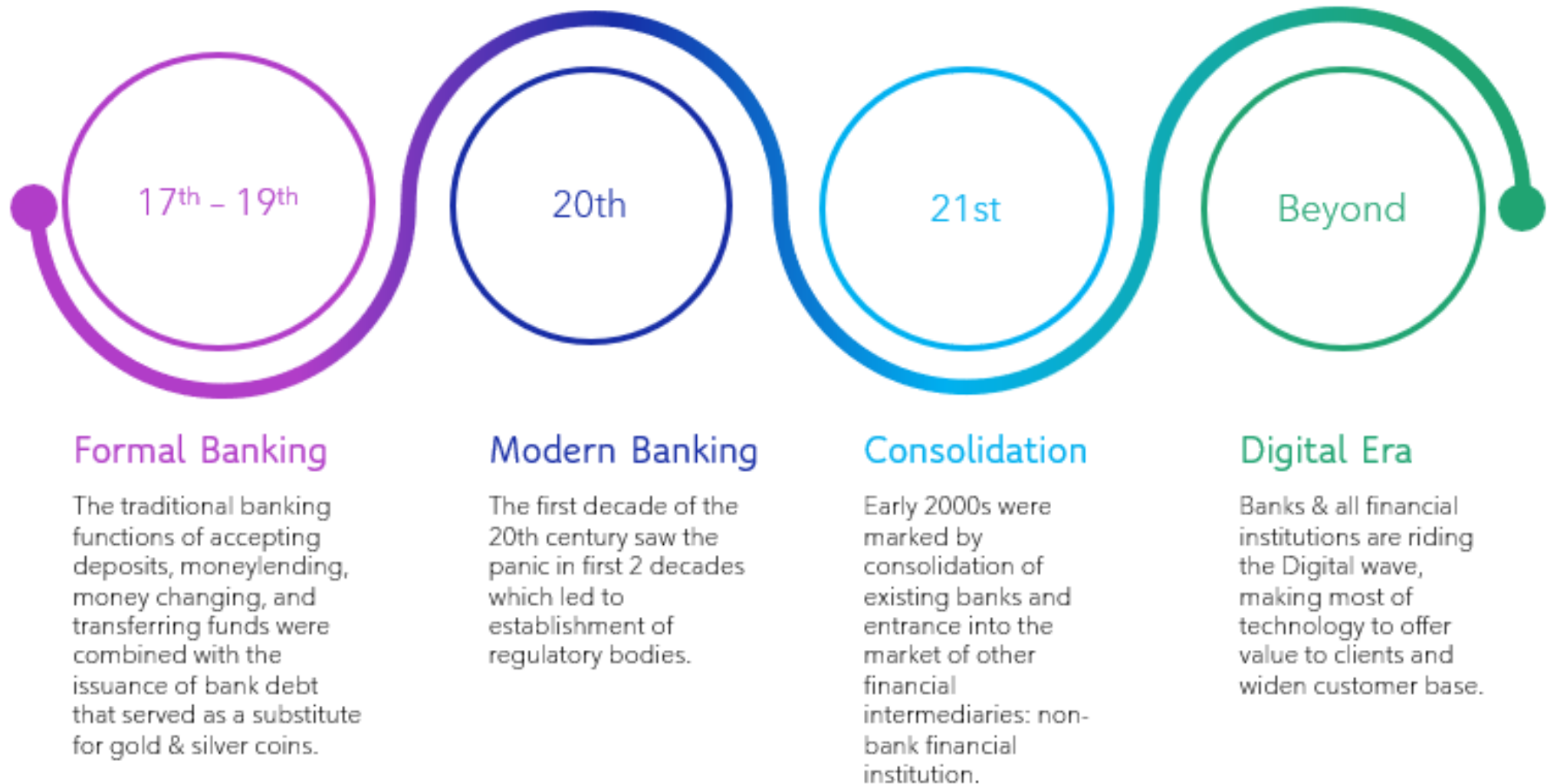
**The Industrial  
& Commercial  
Banking of  
China**



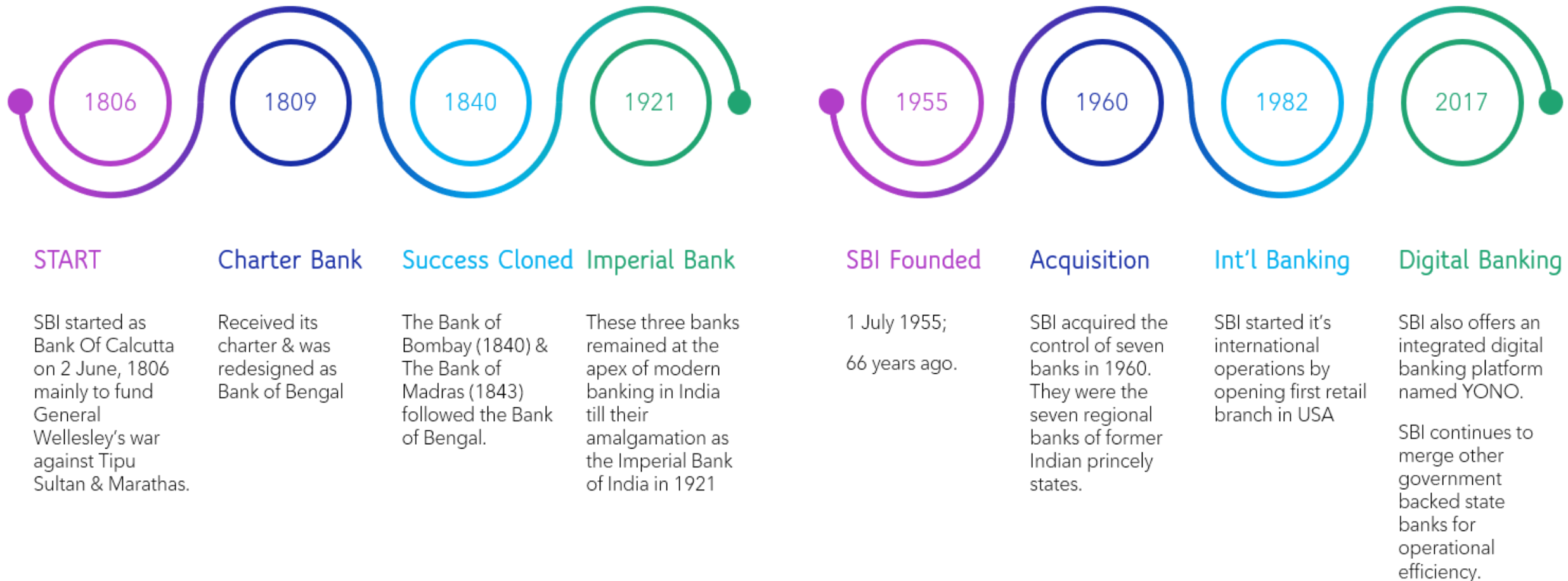


To win over  
tomorrow's most  
demanding customers,  
banks are transforming  
not only their inadequate IT environments,  
but also their fundamental value propositions.

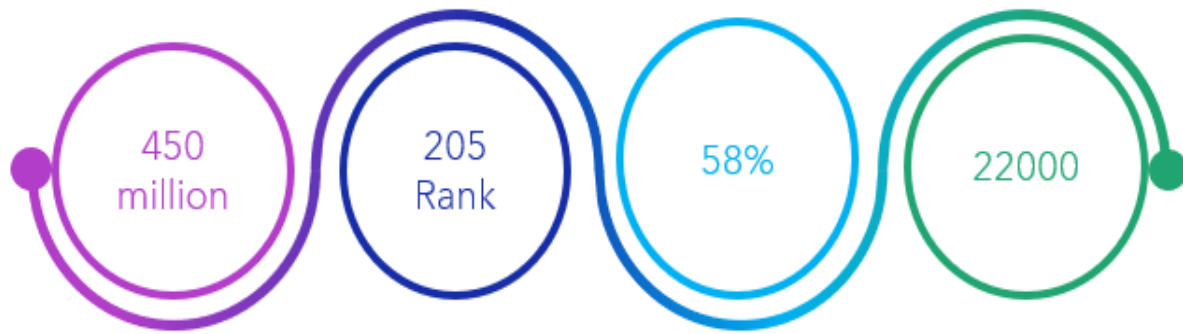
# Evolution of Financial Industry(Banking)



# SBI History



# SBI Credentials



## Global Reach

Total number of customers globally.

## Fortune 500

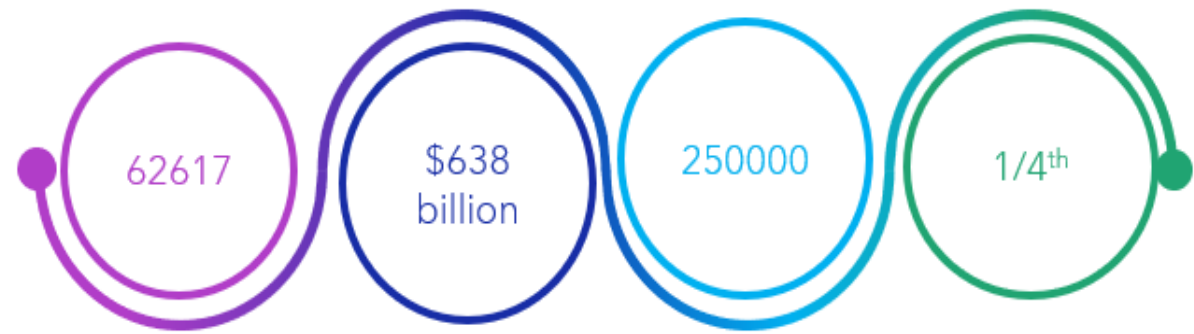
SBI is the only banking company that come under Fortune 500 Company, Global.

## Government Share

Largest public sector bank in India - 58%

## Branches

SBI has 22000 branches operating round the globe.



## ATMs

SBI has 62617 branches operating round the globe.

## Net Worth

According to S&P Global Market Intelligence, SBI fared at the with a net worth of \$638.49 Billion

## Workforce

SBI has 250,000 employees

## Market Share

SBI holds 1/4th of the market share in terms of asset, total loan & deposits in the market.

# SBI Foundation

SWOT, PORTER AND PESTEL ANALYSIS



# SWOT Analysis



## STRENGTHS

- ✓ Largest Bank in terms of market share
- ✓ Wide network of branches and hence very high reach
- ✓ Operational in 36 countries, enabled multi-currency Txns
- ✓ With over 250,000 Employees it is backed by Govt. of India
- ✓ Has first mover advantage amongst other competitors

- ✓ Further expansion in rural areas
- ✓ Leverage technology to further cut down competition
- ✓ Leverage cashless transactions more than current status
- ✓ By signing MOUs with more fintech companies, bank can deepen relation with SME consumers
- ✓ Scope for international expansion

## OPPORTUNITIES

## WEAKNESSES

- ✓ Despite modernization the bank still has traditional mindset perception.
- ✓ Employees have sense of high job security due to govt. backing, resulting in lack of motivation & innovation.
- ✓ Bank struggles to attract large private corporate players in their portfolio.
- ✓ Lack of technology focus to improve customer satisfaction.

- ✓ High NPAs due to government intervention in operations
- ✓ Other private & PSU banks offering better services to customers
- ✓ Foreign banks entering can take on SBI's share by providing better services

## THREATS



# SWOT Analysis



## STRENGTHS

- ✓ #1 bank in the world over many years
- ✓ Multiple businesses (retail, commodity, forex, fixed income)
- ✓ Very strong customer base with Int'l presence
- ✓ Highly capitalized, has strong ability to survive adverse mkts
- ✓ High functional efficiency in int'l operations

- ✓ Exploit strong brand presence in high value segment
- ✓ Increasing customer spend trends
- ✓ More regulatory scrutiny is driving unorganized players out of business
- ✓ Using high end technology could provide a huge boost & unbeatable edge to the bank

## OPPORTUNITIES

## WEAKNESSES

- ✓ Declining per capita revenue
- ✓ Lack of technology focus to improve customer satisfaction
- ✓ Less innovative products to continue customer retention
- ✓ Highly competitive market – multiple int'l players

- ✓ Uneasy Int'l trade relations with US & other key players
- ✓ Too many local & int'l players in this business
- ✓ Usage & availability of digital marketing by competitors across markets
- ✓ Brand damage due to investment in projects with environmental concerns

## THREATS

# PESTEL Analysis

## Political

- Russia's invasion of Ukraine is a risk to India's budget math, as it could upset the government's plan to raise funds from assets sales while possibly forgoing some revenue to spare consumers the burden of costlier crude
- SBI is subject to the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements, set by the RBI. This reduces SBI's ability to further lend funds to borrowers or invest in other funds
- The government decision to lift high interest rates or paybacks of loan amounts etc. affects the NPA holding impacting profitability
- It is important for SBI to follow all political factors to continue increasing its top and bottom line.

## Economic

- The surge in edible and crude oil prices are bound to feed into headline inflation, higher prices will nevertheless eat into disposable incomes of consumers, the backbone of the economy that has yet to fully start spending after the pandemic
- Costlier crude could also widen the deficit in the nation's current-account, the broadest measure of trade, and weigh on the local currency, which already declined to a record low
- Inflation can also impact the FX rate causing losses especially in overseas branches

## Social

- COVID-19 has led to significant uptick for **contactless banking and remote operability**
- The country has the **highest fintech adoption rate** in the world and much of this is coming from tier 2 and tier 3 cities

## Technological

- Over the last few years, SBI has carried out several efforts to improve the stability and resilience of its digital offerings and increase the flexibility of its infrastructure and technology delivery capacity. However, with ever-increasing demand for new and accelerated dynamics and technology-driven innovations in financial services, remaining competitive and relevant in the market has been a challenge
- Implementing these changes in technology is not only leading to increased costs for SBI but also, they had been outages that could impact its reputation and decreased demand in the future
- SBI intends to nurture innovative start-up businesses in their pursuit to become scalable and sustainable enterprises on FINTECH domain.. The overarching purpose of this program is to promote a culture of FINTECH innovation and entrepreneurship in India

## Legal

- Legally, banks regard consumer laws, trade agreements, privacy laws and other RBI and government imposed legal policies and guidelines. They also must have top-notch cyber security with the growing use of technology with banking transactions.
- Any banking malpractice such as involvement in money laundering, lobbying, corruption etc. can tarnish the bank's image in the society and lead to legal court action on the bank
- The integrity and fair practices of bank employees at all positions is important to attract more customers in the market. Any illegal practice hurting consumer sentiments can drag the bank into consumer protection courts with heavy penalties and lawsuits

## Environmental

- Recent outbreak such as Covid-19 or other natural calamities can lead to a surge of Non-Performing Assets impacting the bottom-line
- It is SBI aspiration to achieve a state of Carbon Neutrality in the long run in a phased manner by 2030

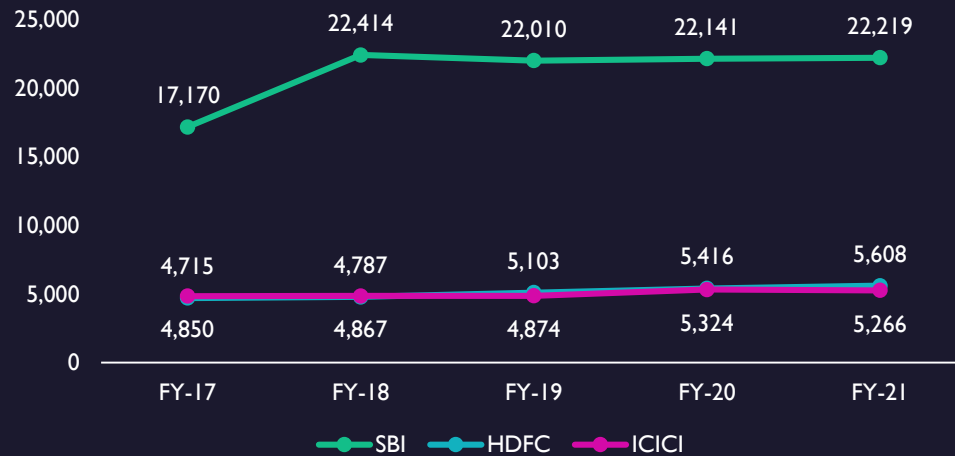
# Financials

Growth and Profitability

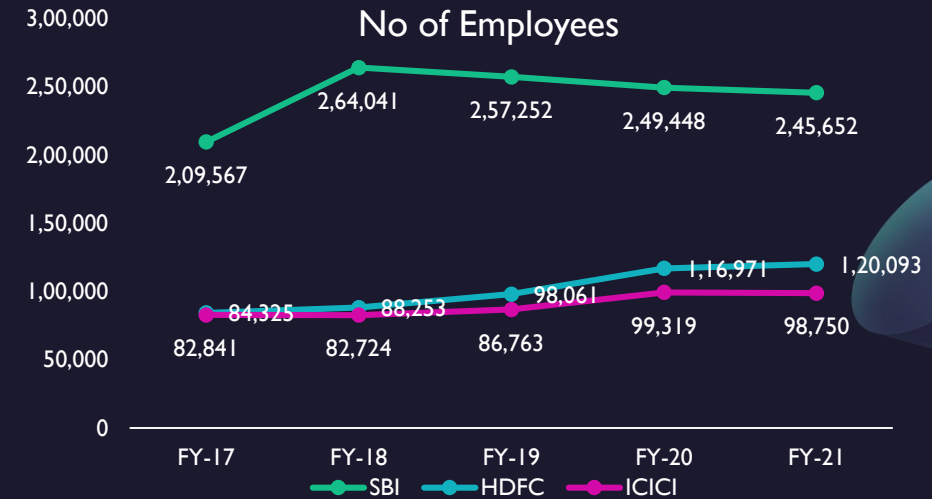
# Financials – Competitors Comparison



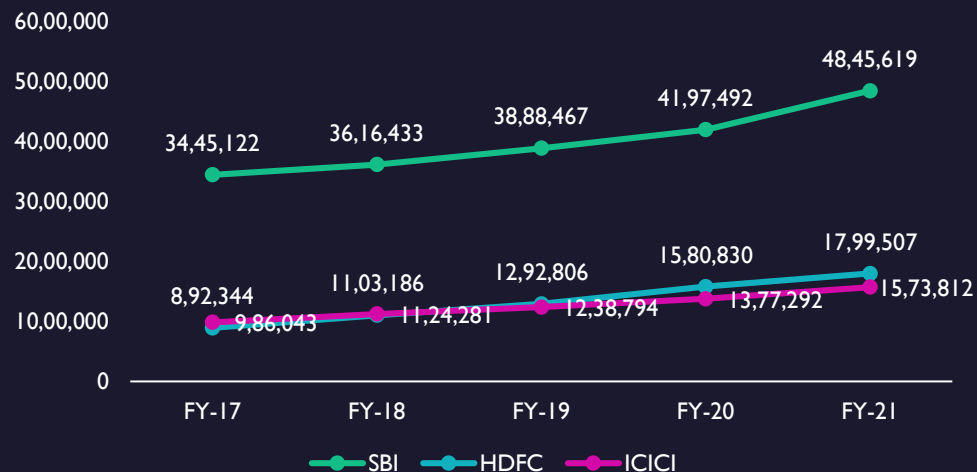
## No of Branches



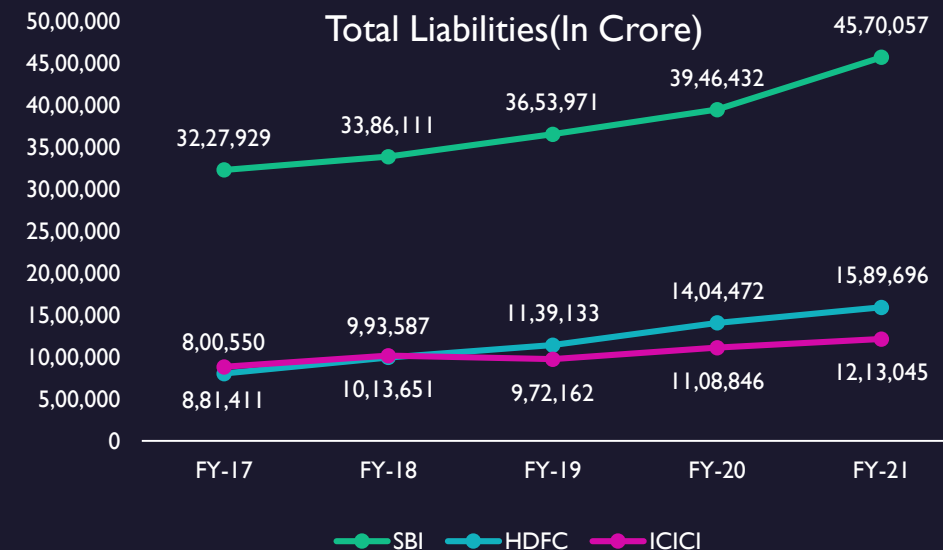
## No of Employees



## Total Assets (In Crore)



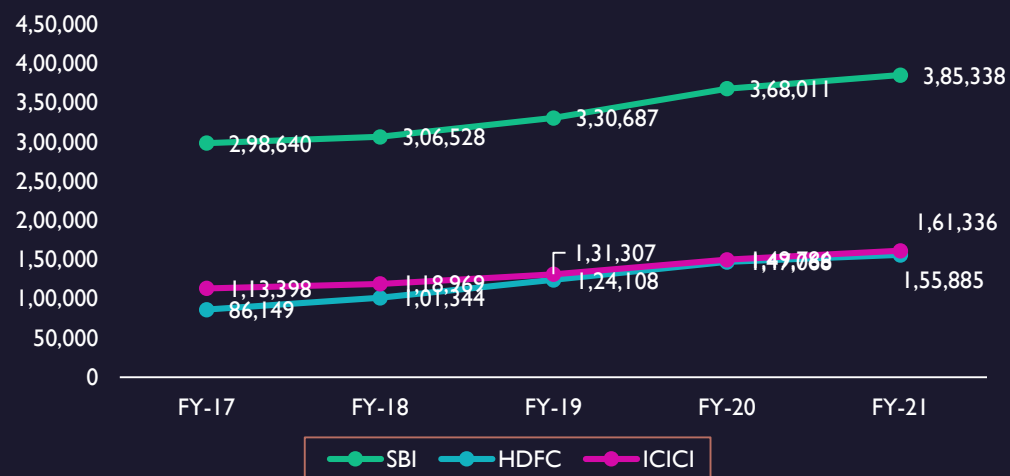
## Total Liabilities (In Crore)



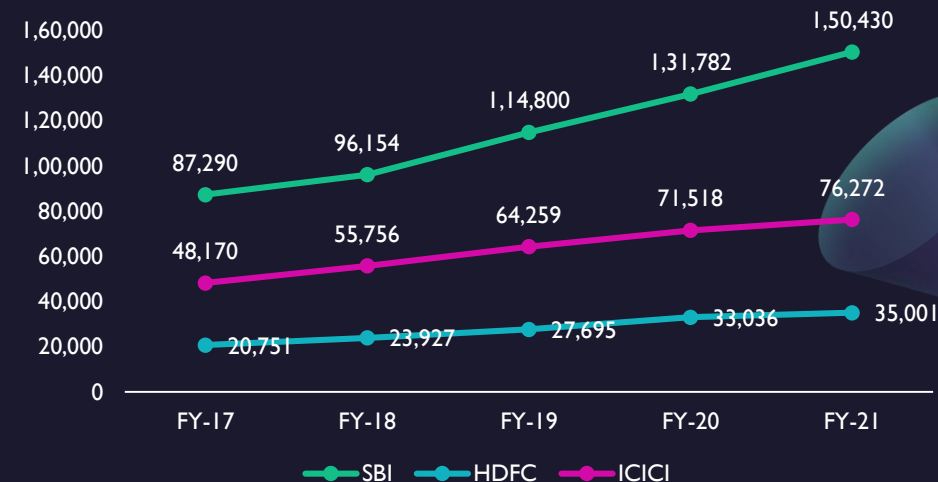


# Financials – Competitors Comparison

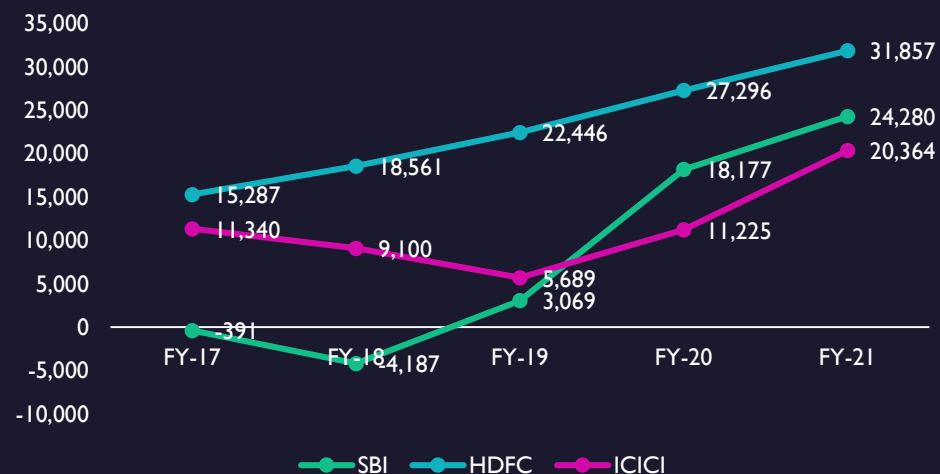
## Income (In Crore)



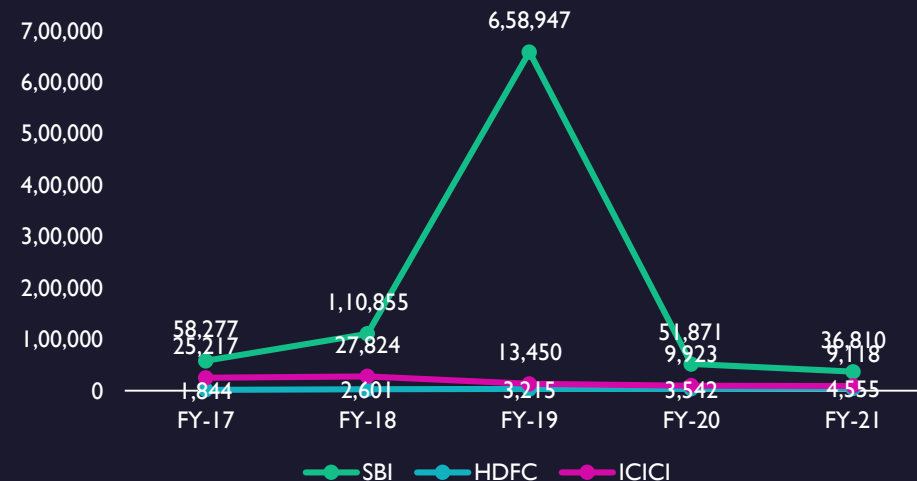
## Operating Expenses (In Crore)



## Net Profit/Loss(In Crore)



## NPAs (In Crore)



# Competitive Advantage

# Competitive Advantage



Metric	SBI	HDFC	ICICI
Technology adoption			
Market Cap	\$58.76 Bn	\$101 Bn	\$69.04 Bn
Global Presence (Countries)	31	8	11
Global Ranking	270	125	222
Ownership	PSU	Private Ltd	Private Ltd

# Summary



Technology is advancing at a rapid pace across industries these days—including in the financial and banking sectors. As both corporates and individuals embrace the convenience of digital transactions, fintech shows no signs of slowing down.

The ways banks will need to change or upgrade their services & products over the next few years to retain and grow their customer base are summarized below:

- Become Nimble And Decentralized
- Enable Better Connectivity Between Various Services And Tools
- Enhance Security using modern technologies such as Blockchain.
- Provide Improved Transparency In Lending
- Partner With Transformative Fintech companies.
- Allow Direct, Secure Connections Between Merchants And Customers' Bank Accounts
- Incentivize Culture Change
- Create More Customer Oriented Services

Innovation and adaptability are the keys to success in every industry today, and traditional banks are not immune to this rule. Banks Will Need To Continue To Change To Survive Advances In Fintech.



# Appendix

# PORTER Analysis



Competitive Rivalry (High)	Threats of New Entrants (Low)	Bargaining Power of Suppliers (Low)	Bargaining Power of Buyers (High)	Threat of Substitutes (Medium)
<ul style="list-style-type: none"> <li>❖ SBI has several competitors like HDFC, ICICI, Citibank etc.</li> <li>❖ Banking is no longer limited to opening accounts &amp; giving loans. It also includes other personalise services.</li> <li>❖ Customers want the best services, promptly at the lowest rates.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Entry barrier of establishing a new private bank is very high in India due to it being highly regulated business.</li> <li>❖ It takes lots of time &amp; investment to setup a new bank.</li> <li>❖ India's banking sector regulatory reforms also limit the presence of foreign banks</li> </ul>	<ul style="list-style-type: none"> <li>❖ The suppliers of stationery &amp; goods do not pose a big threat as SBI is a bulk purchaser of their goods.</li> <li>❖ Also suppliers are in a good number making the switching cost of SBI very low.</li> <li>❖ Then the suppliers of human resource to SBI can also be attracted by other banks or financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>❖ As there are other competitors of banking &amp; services in the market, customers can be easily lured.</li> <li>❖ Switching cost to other banks is also very low.</li> <li>❖ Customers are nowadays more prone to optimized banking services, which they can easily get from any private bank.</li> <li>❖ SBI can't easily influence the customers or raise its service charges.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Besides banks there are other financial companies that provides insurance, mortgage, loans etc. solutions to the customers.</li> <li>❖ Also, some companies like Bajaj, GIC etc. offering financial solutions to the big -ticket customers.</li> <li>❖ SBI is large cap bank, also govt is directly associated with it, hence all these threats are mild to SBI.</li> </ul>

# Thank You

