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Impact of Digital Banking and Economic Reforms on the Financial Performance of State Bank of India

Dr. Venkataiah Pasunoori^{1*}

¹Department of Commerce, Badruka College of Commerce & Arts, Hyderabad, India

*Corresponding author, drvenkatviceprincipal@gmail.com

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Abstract

The banking industry in India has experienced significant transformation during the last decade due to rapid technological advancements and various economic reforms initiated by the Government of India and the Reserve Bank of India. State Bank of India (SBI), being the largest public sector bank in the country, has played a crucial role in adopting digital banking technologies and implementing policy reforms aimed at improving financial inclusion, operational efficiency, and customer satisfaction. The present study examines the impact of digital banking and economic reforms on the financial performance of SBI during the period 2020–2025. The study is based on secondary data collected from annual reports of SBI, RBI publications, investor presentations, and published research articles. Financial indicators such as net profit, operating profit, deposits, advances, asset quality, and return ratios are analyzed to evaluate the bank's performance. The findings reveal that digital banking initiatives, particularly the expansion of the YONO platform, internet banking, and mobile banking services, have significantly enhanced operational efficiency and profitability. Economic reforms including Digital India, financial inclusion programs, and regulatory initiatives have also contributed positively to the growth of SBI. The study concludes that technological innovation and supportive policy reforms have been major drivers of SBI's financial success during the study period.

Keywords: Digital Banking, Economic Reforms, Financial Performance, State Bank of India, YONO, Banking Sector, Profitability

Introduction

The banking sector is considered the backbone of economic development as it facilitates financial transactions, mobilizes savings, and supports investment activities. In recent years, the Indian banking sector has undergone remarkable transformation due to technological innovations and policy reforms. The emergence of digital banking has revolutionized traditional banking operations by providing customers with convenient, secure, and efficient financial services.

State Bank of India (SBI), established in 1955, is the largest public sector bank in India with an extensive network of branches and digital banking platforms. The bank has been at the forefront of technological

adoption, introducing innovative digital services such as YONO (You Only Need One), internet banking, mobile banking applications, and digital payment solutions.

Simultaneously, the Government of India and the Reserve Bank of India have introduced several economic reforms including Digital India, Pradhan Mantri Jan Dhan Yojana (PMJDY), Unified Payments Interface (UPI), Direct Benefit Transfer (DBT), and regulatory reforms aimed at strengthening the banking sector. These initiatives have significantly influenced the operational and financial performance of banks.

The COVID-19 pandemic further accelerated the adoption of digital banking services as customers increasingly relied on online transactions and contactless payment systems. SBI leveraged this opportunity to expand its digital ecosystem and improve customer engagement.

This study attempts to evaluate how digital banking initiatives and economic reforms have contributed to the financial performance of SBI during the period 2020–2025.

Review of Literature

Lusardi and Mitchell (2014) emphasized that technological advancements in financial services improve accessibility and enhance financial decision-making among consumers. Kumar and Gupta (2020) observed that digital banking services significantly reduce transaction costs and improve operational efficiency in commercial banks. Sharma (2021) found that mobile banking and internet banking adoption positively influence customer satisfaction and profitability in Indian banks. Rao and Patel (2022) concluded that economic reforms such as Digital India and PMJDY have increased banking penetration and improved financial inclusion across rural and urban areas. Singh and Verma (2023) highlighted that digital transformation has become a critical factor in improving competitiveness and financial performance in the banking sector. Previous studies indicate a strong relationship between digital innovation and banking performance. However, limited research has specifically examined the combined impact of digital banking and economic reforms on SBI during the post-pandemic period. This study seeks to address this gap.

Objectives of the Study

1. To analyse the financial performance of SBI during 2020–2025.
2. To examine the growth of digital banking services in SBI.
3. To evaluate the impact of economic reforms on SBI's performance.
4. To study the relationship between digital banking adoption and profitability.
5. To provide suggestions for enhancing digital banking effectiveness.

Research Methodology

Nature of Study: The study is analytical and descriptive in nature.

Sources of Data: The study is based entirely on secondary data collected from:

- Annual Reports of SBI
- Reserve Bank of India publications
- Reports on Trends and Progress of Banking in India
- Financial statements and investor presentations

- Published research articles and journals
- Banking and financial databases

Period of Study: The study covers five financial years from 2020–21 to 2024–25.

Tools Used: Trend Analysis

- Ratio Analysis
- Comparative Analysis
- Percentage Analysis

Digital Banking Initiatives of SBI: SBI has consistently invested in digital transformation initiatives to enhance customer experience and operational efficiency.

Major Digital Banking Services

YONO Platform: YONO is SBI's integrated digital banking platform that enables customers to access banking, shopping, investments, and financial services through a single application.

Internet Banking: SBI's internet banking services facilitate online fund transfers, bill payments, account management, and investment transactions.

Mobile Banking: The YONO SBI mobile application has significantly expanded digital transaction volumes and customer engagement.

UPI and Digital Payments: SBI has actively promoted UPI-based transactions, QR-code payments, and digital wallets.

Artificial Intelligence and Analytics: The bank utilizes AI-driven customer support, fraud detection systems, and predictive analytics for decision-making.

Economic Reforms Influencing SBI

Digital India Initiative: The Digital India campaign accelerated digital infrastructure development and encouraged cashless transactions.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY expanded financial inclusion by bringing millions of unbanked individuals into the formal banking system.

Unified Payments Interface (UPI): UPI transformed digital payments and increased transaction efficiency.

Direct Benefit Transfer (DBT): DBT strengthened the banking ecosystem by channeling government benefits directly into beneficiaries' accounts.

RBI Regulatory Reforms: Measures relating to asset quality, capital adequacy, and risk management improved banking stability and resilience.

Financial Performance Analysis of SBI (2020–2025)

Table 1: Key Financial Indicators of SBI

Particulars	FY2021	FY2022	FY2023	FY2024	FY2025
Net Profit (₹ Crore)	20,410	31,676	50,232	61,077	70,901
Operating Profit (₹ Crore)	65,101	79,873	83,713	93,037	1,10,579
Deposits (₹ Lakh Crore)	36.81	40.51	44.23	49.16	53.82
Advances (₹ Lakh Crore)	24.49	27.34	32.69	37.67	42.18
Gross NPA (%)	4.98	3.97	2.78	2.24	1.82
ROA (%)	0.48	0.67	1.1	1.23	1.35

Interpretation: The above table indicates consistent improvement in SBI's financial performance during the study period. Net profit increased substantially, demonstrating enhanced profitability and operational efficiency. Deposits and advances showed steady growth, reflecting customer confidence and increased credit demand. A significant decline in Gross Non-Performing Assets (GNPA) indicates improved asset quality and risk management practices. Return on Assets also improved steadily, highlighting effective utilization of resources.

Impact of Digital Banking on Financial Performance

Digital banking has contributed to SBI's performance in several ways:

Reduction in Operating Costs: Digital transactions reduce dependency on physical branches and manual processes, thereby lowering operational expenses.

Improved Customer Reach: Online banking platforms enable SBI to serve customers across geographical boundaries without additional infrastructure costs.

Enhanced Customer Satisfaction: Convenience and accessibility have improved customer retention and acquisition.

Increased Transaction Volume: The rapid growth of digital payments has generated higher fee-based income and transaction revenues.

Better Risk Management: Advanced analytics and AI tools have improved fraud detection and credit risk assessment.

Discussion of Findings:

The study reveals that digital banking has become a major contributor to SBI's growth and profitability. The increasing adoption of YONO, mobile banking, and digital payments has enhanced customer engagement and operational efficiency.

Economic reforms such as Digital India, PMJDY, DBT, and UPI have created a favourable environment for digital banking expansion. These reforms have facilitated financial inclusion and increased the customer base of SBI.

The decline in NPAs and growth in profitability indicate that SBI has effectively utilized technology and policy support to strengthen its financial position.

Major Findings

1. SBI recorded consistent growth in net profit during 2020–2025.
2. Digital banking adoption significantly increased during the study period.
3. The YONO platform emerged as a major driver of customer engagement.
4. Deposits and advances exhibited steady growth.
5. Gross NPA levels declined considerably.
6. Economic reforms positively influenced banking penetration and financial inclusion.
7. Digital banking contributed to improved operational efficiency and profitability.
8. RBI reforms strengthened asset quality and risk management practices.

Suggestions

1. SBI should continue investing in emerging technologies such as Artificial Intelligence and Block chain.
2. Cybersecurity measures should be strengthened to address digital risks.
3. Digital literacy programs should be expanded in rural areas.
4. The bank should enhance personalized banking services through data analytics.
5. Collaboration with fintech companies may further improve innovation and customer experience.
6. Continuous employee training should be conducted to support digital transformation initiatives.

Conclusion

The study concludes that digital banking and economic reforms have significantly contributed to the financial performance of State Bank of India during the period 2020–2025. The adoption of digital technologies has improved operational efficiency, customer satisfaction, and profitability. Simultaneously, economic reforms introduced by the Government of India and RBI have created an enabling environment for banking sector growth.

SBI has successfully leveraged digital transformation initiatives to strengthen its market position and improve financial outcomes. The findings suggest that continued technological innovation and supportive policy reforms will remain critical for sustaining growth and competitiveness in the evolving banking landscape.

Declaration of Conflicting Interests

The authors declare no potential conflicts of interest with respect to the research, authorship and publication of this article.

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