



# INVESTIGATING THE INFLUENCE OF FINANCIAL PERFORMANCE ON STAKEHOLDER WEALTH WITH REFERENCE TO SBI

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## ABSTRACT

**Purpose:** This study looks at how financial performance affects the wealth of SBI stakeholders from 2014 to 2023, using quantitative research methodologies and secondary data. Using regression analysis, the study examines how financial performance indicators jointly effect stakeholders' wealth, with a particular emphasis on the relationship between Return on Assets (ROA) and key metrics connected to stakeholders.

**Methodology:** The project, which employs a quantitative research technique, covers the examination of secondary data from 2014 to 2023. Using a Regression Model, the research examines how financial performance indicators impact the wealth of stakeholders collectively. It investigates the relationship between ROA and numerous SBI stakeholders' indicators, including EPS, dividend per share, P/E ratio, and EV.

**Conclusion:** The study's outcomes offer valuable insights into the financial dynamics of the SBI. Initially, a positive correlation is observed between EPS and ROA, highlighting the association of higher EPS with enhanced financial performance measured by ROA. Conversely, Dividend per Share negatively impacts SBI's short-term financial performance, indicating potential adverse effects of increased dividend payouts. Additionally, a higher P/Eratio exhibits a negative influence on ROA, suggesting a detrimental impact on the bank's profitability. Finally, an uptick in Enterprise value (EV) demonstrates a positive association with ROA, reflecting a favourable impact on Return on Assets for the State Bank of India.

**Market Implications:** These results provide useful information for investors, bank stakeholders, and regulators. Understanding the relationship between financial performance and shareholder wealth Metrics may help in making educated investment choices and establishing policies that support SBI's long-term financial success.

**Keywords:** *Dividend per Share, Earnings per Share, Enterprise Value, Price-to-Earnings ratio, Price-to-Book value and ROA.*

## INTRODUCTION

The nexus between the financial performance of commercial banks and the prosperity of stakeholders assumes paramount importance, particularly within the context of the State Bank of India (SBI). As a cornerstone in propelling economic growth and development, comprehending the intricate connection between financial performance and stakeholder wealth in SBI becomes imperative. Theoretical discourse seeks to underscore this relationship, delving into diverse financial indicators and metrics that encapsulate the efficiency, profitability, and stability of the institution. Key elements constituting financial performance encompass metrics such as NIM, ROA, ROE, CAR, asset quality, and liquidity ratios, offering valuable insights into resource utilization, risk management, and profit generation within SBI.

Profitability emerges as a direct and influential factor through which financial performance impacts stakeholder wealth in SBI. The consistent generation of profits enables the bank to distribute dividends to stakeholders, with higher profitability resulting in augmented dividend payouts and, consequently, increased stakeholder wealth. Stakeholders often invest with the anticipation of receiving a portion of profits in the form of dividends. Financial performance extends its influence to the stock price of SBI, with investors closely monitoring financial metrics as indicators of the bank's health and growth potential. Positive financial performance, characterized by increasing profits and robust asset quality, tends to attract investors, fostering a heightened demand for the bank's shares and, subsequently, an elevation in stock prices—a direct benefit to stakeholders.

The impact of financial performance extends further to influence SBI's market capitalization, denoting the total value of outstanding shares. The bank, exhibiting strong financials, typically commands higher market capitalization, thereby enhancing its perceived value in the eyes of stakeholders. The linkage between stakeholders' wealth and the market capitalization of SBI is evident, as it reflects the collective value of their holdings. Additionally, effective financial performance management contributes significantly to risk mitigation in SBI. The bank, with robust financials, is better positioned to absorb losses and navigate economic downturns, reducing the risk exposure for stakeholders and safeguarding their investments during challenging periods.

In the distinctive landscape of SBI, this relationship assumes heightened relevance due to unique challenges and opportunities prevalent in the banking sector. Factors such as regulatory changes, economic cycles, and competition from traditional and non-traditional financial institutions can substantially impact financial performance and, consequently, stakeholders' wealth. Moreover, the role of government ownership and intervention introduces an additional layer of complexity. Stakeholders' wealth becomes susceptible to government policies encompassing dividend distribution norms, capital infusion, and merger decisions, which may not align seamlessly with the profit-maximizing objectives of SBI stakeholders.

In summary, the interplay between financial performance and stakeholders' wealth in SBI is intricate and multifaceted. This relationship manifests across dividend distributions, stock prices, market capitalization, and risk mitigation. A profound understanding of this connection is imperative for both SBI management and investors navigating the dynamic terrain of the Indian banking sector, specifically within the context of the State Bank of India.

## REVIEW OF LITERATURE:

**Mandeep Kaur, Sweety Narang (2009)**, conduct an exploratory investigation on India's most valued firms' wealth production capabilities utilizing EVA and MVA as financial performance assessments. Over half of India's wealth club routinely deteriorated stakeholders' wealth, according to a study that analyzed 104 companies from 1996 to 2007. There was a decline in EVA for eight consecutive years (1996-2003). Strategic investors, academicians, portfolio managers, and corporate decision-makers may learn more about economic realities behind the data from the study. Additionally, the study ranks companies based on generated or destroyed stakeholders value, explores instances where MVA diverges from EVA, and employs Regression Analysis to affirm the significant impact of EVA on market value, aligning with Stern and Stewart's assertion.

**Mohi-ud-Din, Tabassum Nazir (2010)**, present an evaluation of the financial performance of two major banks in northern India using the CAMEL Parameters, a contemporary financial analysis model. Emphasizing the significance of capital adequacy, asset quality, management capability, and liquidity, the study indicates that the banks under scrutiny exhibit a sound and satisfactory position. The paper contextualizes the transformation in the Indian banking sector post-financial reforms, highlighting the shift from a protected environment to a more globally integrated framework. The authors discuss the impact of regulatory measures, including capital adequacy norms, asset quality standards, and technology adoption, on reshaping the operational efficiency and commercial viability of Indian banks. The research underscores the evolving landscape of Indian banking, necessitating continual evaluation and management of financial performance.

**Anita Makkar, Shveta Singh (2013)**, The purpose of this study is to examine the profitability of several commercial banks in India. Based on the data provided, IDBI Bank was found to have the best overall performance, followed by Kotak Mahindra and ICICI Bank. The worst performing institution was Dhanalaxmi Bank, followed by J&K and Karnataka Bank Ltd. In India, the 't'-test revealed that public and private sector banks vary considerably in Capital Adequacy, Asset Quality, and Earning Capacity, but not in Management, Liquidity Position, or Market Risk Sensitivity. Public sector banks in India need to improve in order to compete with private sector banks, despite the fact that there is no statistically significant difference in their financial performance on average.

**Mohi-ud-Din, Sumaira Jan et.al., (2014)**, This study examines Indian public and private sector banks' corporate governance policies. Further, the study classifies private sector banks as "Old" or "New". Governance Policies are evaluated based on five criteria: reasons for the written code, availability of policies, distribution of related material to concerned parties, issues in the code of conduct, and other components. The

study also empirically evaluates whether India's Old and New Private Sector Banks' Corporate Governance Policies vary.

**Lalitagauri Kulkarni (2015)**, investigates the impact of large-scale cross-border acquisitions by Indian firms on stakeholders wealth and the performance of acquiring companies. Employing event study methodology, the analysis discerns a positive short-term market wealth effect for investors, aligning with previous international acquisition studies. The study further delves into the long-term post-acquisition effects on acquiring firms, specifically evaluating financial performance through profitability ratios and Altman Z scores. However, the findings reveal a deterioration in acquiring firms' performance during the post-merger period, indicating potential challenges and complexities associated with sustaining stakeholders value and financial health in the aftermath of cross-border acquisitions by Indian firms.

**Gounder C (2017)**, This study analyzes how economic value delivered enhances stakeholder value. Public limited banks and Indian banks as a whole were shown to have a positive and substantial link with EVA, whereas private limited banks had a significant relationship with DPS. Public limited banks will optimize shareholder value if management increase EVA, whereas private banks must focus on dividend per share (DPS). The research backs EVA and DPS, however neither banks nor investors use EVA to make decisions about their portfolios. Thus, EVA criteria should be prioritized by management when evaluating the worth of a bank to its various stakeholders.

**Gayathri K.V.S. Chandraiah (2020)**, emphasize the pivotal role of banks in fostering the development of the Indian economy, highlighting the significance of a robust banking system in providing essential financial inputs. Public sector banks in India are evaluated for profitability based on their function in the financial system as profit-driven organizations receiving government funds and issuing loans. Utilizing secondary data, the research identifies the SBI as the leader in terms of profitability, with the highest average net profit, while Andhra Bank records the lowest. Notably, several banks exhibit negative mean values. The study further reveals that SBI demonstrates the highest variation, contrasting with Indian Bank, which displays the lowest variability among public sector banks. Overall, the findings underscore SBI's superior performance in terms of profitability compared to other public sector banks.

**Angela Akpemada, Enock Kojo (2022)**, Utilizing return on assets and economic value added, analyze the impact of credit risk, especially non-performing loans, on the financial performance of Ghanaian commercial banks. Bank characteristics like as age and size are assessed with macroeconomic measures such as GDP, inflation, and the monetary policy rate. Financial performance benefits from size, age, and GDP, but suffers from the influence of the monetary policy rate. The research recommends that commercial banks review pledged collateral for depreciable assets and implement strict credit risk management rules with regular revisions to account for value fluctuations. Using economic value added as a measure of financial performance is a novel approach in the study of credit risk and the dynamics of financial performance.

**Omubo, Nathan (2023)**, This research studied how corporate governance and stakeholders wealth maximization affect Nigerian listed commercial banks. Examine how corporate governance factors impact

Nigerian listed commercial bank stakeholders' wealth. Financial statements of listed commercial banks from 2011 to 2020 included panel data. The research indicated that independent factors positively affect quoted commercial bank return on assets excluding directors equity ownership. The research found that corporate governance characteristics affect listed commercial banks' return on assets more than equity. According to the report, commercial bank management should follow all required corporate governance codes. Directors equity should be reduced and merged with stakeholder wealth maximization.

**Akhil Shetty, Manisha Khaladkar (2023)**, The purpose of this research is to understand investors' perceptions related to M&A on stakeholders' wealth as well as profitability with reference to Indian banks. The study used an online questionnaire to gather quantitative data, which was then processed using the statistical software SPSS. According to the report, mergers and acquisitions in the banking industry boost stakeholders value. Investors had a different perspective of stakeholders wealth after mergers and acquisitions, according to Income and qualification. This paper will focus on different individual perception towards Stakeholders wealth and profitability of Banks according to the demographic factors. This paper will benefit the Acquiring Companies to understand investors perception of their stakeholders wealth post announcement of M&A. Accordingly the Policy makers can frame policies post studying the perception of Investors.

**Karajeh, Jaradat (2023)**, explains the correlation un-compulsory disclosure and stakeholders' wealth in Jordanian banks, examining the influence of board diversity, particularly the role of female members, as a moderating variable. Utilizing a checklist instrument, the research covers all commercial banks listed on Amman Bursa. The findings reveal that banks with higher stakeholders' wealth are more inclined to disclose un-compulsory information. Additionally, the study contributes innovative evidence indicating that female board members serve as significant moderating variables, impacting management motivations regarding un-compulsory disclosure practices and stakeholders' wealth. The research suggests implications for regulatory bodies to enhance current codes, emphasizing increased female representation on boards to foster diversity and improve governance practices.

## RESEARCH GAP

While the existing body of literature offers valuable insights into the interplay of financial performance and stakeholders' wealth across various banking scenarios, a notable research gap becomes evident when specifically considering this dynamic within the realm of Indian private sector banks. The referenced studies predominantly focus on diverse facets, including financial performance, corporate governance, mergers and acquisitions, and credit risk, spanning different banking landscapes in India. However, a dedicated investigation into the nuanced relationships between financial performance and stakeholders' wealth, particularly commercial and SBI Indian banking arena, is conspicuously absent. The cited studies, while informative in their respective contexts, lack a specific focus on the unique challenges, opportunities, and strategies influencing stakeholders' wealth Commercial Bank. This research gap underscores the necessity for

a targeted study that explores the intricate connections between financial performance metrics and stakeholders' wealth, specifically within the context of the State Bank of India (SBI).

### **OBJECTIVES OF THE STUDY:**

1. To Know the Long Run or Short Run Relationship between the financial performance and stakeholder wealth Metrics of SBI.
2. To Identify the effect of financial performance on the stakeholder wealth Metrics of SBI

### **HYPOTHESIS:**

**Null hypothesis (H01):** There is no significant Long Run or Short Run Relationship between the financial performance and stakeholder wealth Metrics of SBI.

**Null hypothesis (H02):** There is no significant effect of financial performance on the stakeholder wealth Metrics of SBI

### **SCOPE OF THE STUDY**

The current study aims to investigate the impact of financial performance on stakeholder wealth metrics, focusing on the SBI. The study utilizes secondary data spanning from 2014 to 2023. ROA is considered as a proxy variable for the financial performance indicator, while dependent variables for stakeholder wealth metrics include Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) value, Enterprise Value, Dividend Per Share, and Earnings per Share.

### **RESEARCH METHODOLOGY**

The current research employed a quantitative research approach to address its defined objectives, which involved exploring the relationship between independent and dependent variables. Additionally, the study aimed to evaluate the effect of financial performance on metrics related to the stakeholder wealth in SBI.

### **STATISTICAL TOOLS**

*The study seeks to investigate the enduring and immediate connections between financial performance and metrics related to stakeholders' wealth within the context of SBI. Utilizing Vector Error Correction Models (VECM) and Ordinary Least Squares (OLS) analysis, the research aims to offer empirical insights into the key factors influencing stakeholders' wealth metrics and the notable aspects of financial performance in the banking sector.*

### **VARIABLES CONSIDERED**

The research utilizes **Return on Assets (ROA)** as the primary indicator to evaluate the financial performance of State Bank of India. The study assesses the influence of ROA on diverse metrics of stakeholders' wealth, encompassing **Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) value, Enterprise Value, Dividend per**

*Share, and Earnings per Share. Collectively, these metrics offer a holistic perspective on how the financial performance of a State bank of India impacts the wealth of its stakeholders.*

#### **TABULATION OF DATA TABULATION:**

**Objective-1:** To Know the Long Run or Short Run Relationship Between the financial performance and stakeholder wealth metrics of SBI.

*The primary objective is investigate the financial performance of the designated State Bank in India in relation to stakeholders' wealth metrics from 2014 to 2023. The analysis will employ the Vector Error Correction Models (VECM) statistical method to scrutinize the long-term and short-term dynamics within this correlation. The aim is to ascertain whether financial performance significantly influences the wealth metrics of stakeholders of the State Bank in India.*

#### **HYPOTHESIS:**

**H0:** There is no significant Long Run or Short Run Relationship between the financial performance and stakeholder wealth Metrics of SBI.

**H1:** There is a significant Long Run or Short Run Relationship between the financial performance and stakeholder wealth Metrics of SBI.

The table presents the results of lag order selection criteria for an analysis using the VECM, specifically focusing on investigating the long or short-run relationship between financial performance and metrics related to stakeholders' wealth of the SBI.

**Table No 1**

#### **VAR Lag order Selection Criteria**

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1325.222	NA	5287.810	25.60042	25.75298	25.66223
1	413.3709	3243.144	3.19e-11*	-7.141748*	-6.073821*	-6.709099*
2	447.9992	60.59948*	3.30e-11	-7.115369	-5.132075	-6.311878

Source: Secondary data (CMIE Prowess)

The study aims to determine the optimal number of lagged time periods to include in the Vector Error Correction Model (VECM). Based on the presented results, it is evident that a lag order of 1 is recommended. This choice corresponds to the lowest values for AIC, SC, and HQ, and it is associated with statistical significance (\* indicates significance) in terms of the LR statistic, which seems to be fit at lag 2, while FPE is observed to be fit at lag 1. Most of the tests and criteria are found to be fit at lag 1. Hence, the model is considered optimal at lag 1 to effectively capture the dynamic relationships between financial performance and stakeholders' wealth of the State Bank of India.

**Table No 2**  
**Vector Error Correction Model**

Cointegrating Eq:	CointEq1					
RETURN_ON_ASSETS_						
SBI(-1)	1.000000					
PE_SBI(-1)	0.048297					
	(0.00707)					
	[ 6.82765]					
PB_SBI(-1)	-0.288837					
	(0.21997)					
	[-1.31307]					
ENTERPRISE_VALUE_						
_PBDITA_SBI(-1)	-0.025543					
	(0.07895)					
	[-0.32352]					
DIVIDEND_PER_SHAR						
E(-1)	0.476399					
	(0.15945)					
	[ 2.98773]					
EPS(-1)	-0.014807					
	(0.00514)					
	[-2.88281]					
C	-1.120182					
Error Correction:	<b>D(RETURN</b>	<b>D(PE_</b>	<b>D(PB_</b>	<b>D(ENTERPR</b>	<b>D(DIVIDE</b>	
	<b>_ON_ASSE</b>	<b>SBI)</b>	<b>SBI)</b>	<b>ISE_VALUE</b>	<b>ND_PER_</b>	
	<b>TS_SBI)</b>			<b>_PBDITA_</b>	<b>SHARE)</b>	<b>D(EPS)</b>
CointEq1	-0.873541	0.002212	0.000212	0.000244	-1.58E-05	-0.355212
	(0.02573)	(0.01419)	(0.00092)	(0.00155)	(0.00056)	(0.39264)
	[-33.9473]	[ 0.15590]	[ 0.23093]	[ 0.15715]	[-0.02850]	[-0.90467]
D(RETURN_ON_ASSET						
S_ SBI (-1))	-0.047866	0.008748	0.001120	0.002184	-7.14E-05	0.770345
	(0.01975)	(0.01089)	(0.00071)	(0.00119)	(0.00043)	(0.30142)
	[-2.42313]	[ 0.80329]	[ 1.58495]	[ 1.83547]	[-0.16756]	[ 2.55571]
D(PE_ SBI (-1))	1.074979	0.081312	0.006002	0.008845	0.006037	-1.288222
	(0.35262)	(0.19440)	(0.01261)	(0.02124)	(0.00761)	(5.38053)

	[ 3.04856]	[ 0.41827]	[ 0.47597]	[ 0.41635]	[ 0.79339]	[-0.23942]
D(PB_ SBI (-1))	-31.04357	4.559795	0.395312	1.202391	-0.401566	27.86604
	(11.9456)	(6.58570)	(0.42716)	(0.71971)	(0.25777)	(182.275)
	[-2.59874]	[ 0.69238]	[ 0.92544]	[ 1.67067]	[-1.55787]	[ 0.15288]
D(ENTERPRISE_VALU E__PBDITA_ SBI (-1))	6.373854	-3.491389	-0.306330	-0.828186	0.180339	10.90802
	(5.84591)	(3.22289)	(0.20904)	(0.35221)	(0.12614)	(89.2014)
	[ 1.09031]	[-1.08331]	[-1.46540]	[-2.35141]	[ 1.42962]	[ 0.12229]
D(DIVIDEND_PER_SH ARE(-1))	-14.54796	-2.949934	-0.022425	0.116443	-0.012766	-89.81107
	(6.84516)	(3.77379)	(0.24477)	(0.41241)	(0.14771)	(104.449)
	[-2.12529]	[-0.78169]	[-0.09162]	[ 0.28235]	[-0.08643]	[-0.85986]
D(EPS(-1))	-0.004344	-0.000610	-2.22E-05	-0.000142	-8.50E-06	-0.049770
	(0.00492)	(0.00271)	(0.00018)	(0.00030)	(0.00011)	(0.07514)
	[-0.88210]	[-0.22456]	[-0.12623]	[-0.47772]	[-0.08000]	[-0.66237]
C	0.366768	0.051720	0.002621	0.003610	-0.000611	2.006780
	(0.06734)	(0.03713)	(0.00241)	(0.00406)	(0.00145)	(1.02754)
	[ 5.44646]	[ 1.39310]	[ 1.08839]	[ 0.88982]	[-0.42051]	[ 1.95300]
R-squared	0.960564	0.041607	0.083119	0.126025	0.032832	0.101922
Adj. R-squared	0.957688	-0.028276	0.016263	0.062298	-0.037690	0.036437
F-statistic	334.0458	0.595386	1.243259	1.977571	0.465560	1.556419

Source: Secondary data (CMIE Prowess)

The table displays Vector Error Correction Estimates (VECM) investigating the connection between Financial Performance, represented by Return on Assets (ROA), and various indicators of Shareholder wealth for SBI. The coefficient for D(Price to Earnings\_SBI) indicates that a one-unit increase in Price to Earnings (P/E) corresponds to roughly a 0.0087 unit increase in ROA. Similarly, the coefficient for D(Price to Book value\_SBI) suggests that a one-unit increase in Price to Book value leads to an increase of approximately 0.0011 units in ROA. The coefficient for D(Enterprise Value) shows a one-unit increase in Enterprise Value results in an increase of about 0.0022 units in ROA. Conversely, the coefficient for D(Dividend per share) implies a negative relationship, with a one-unit increase in Dividend per share causing a decrease of approximately 7.14E-05 units in ROA. Lastly, the coefficient for D(Earnings Per Share) indicates a strong positive relationship, with a one-unit increase in Earnings Per Share (EPS) corresponding to a substantial increase of about 0.7703 units in ROA. It is crucial to highlight that, except for Dividend per share, the other ratios related to shareholder wealth Metrics exhibit a confident correlation with the ROA of SBI. To determine the nature of this relationship, whether short-term or long-term, further analysis will be conducted using the

Wald test, and a detailed explanation of the Wald test will be provided in subsequent sections to enhance understanding of its role in the study.

### System Equation:

$$D(\text{RETURN\_ON\_ASSETS\_SBI}) = C(1) * (\text{RETURN\_ON\_ASSETS\_SBI}(-1) + 0.0482972699974 * \text{PE\_SBI}(-1) - 0.288837187826 * \text{PB\_SBI}(-1) - 0.0255429994946 * \text{ENTERPRISE\_VALUE\_PBDITA\_SBI}(-1) + 0.476398831402 * \text{DIVIDEND\_PER\_SHARE}(-1) - 0.0148068176476 * \text{EPS}(-1) - 1.12018210641) + C(2) * D(\text{RETURN\_ON\_ASSETS\_SBI}(-1)) + C(3) * D(\text{PE\_SBI}(-1)) + C(4) * D(\text{PB\_SBI}(-1)) + C(5) * D(\text{ENTERPRISE\_VALUE\_PBDITA\_SBI}(-1)) + C(6) * D(\text{DIVIDEND\_PER\_SHARE}(-1)) + C(7) * D(\text{EPS}(-1)) + C(8)$$

$$C(1) = C(3) = 0$$

$$C(1) = C(4) = 0$$

$$C(1) = C(5) = 0$$

$$C(1) = C(6) = 0$$

$$C(1) = C(7) = 0$$

The Wald test table examines the relationship between variables such as "Price to Earning," "Price to Book value," "Enterprise value," "Dividend per share," and "Earnings per share," which are metrics of Stakeholders' wealth. This analysis likely encompasses the evaluation of the relationship between "Return on Assets" and Stakeholders' wealth using a Vector Error Correction Model (VECM).

**Table No 3**  
**Wald Test of ROA with Stakeholders Wealth Metric ratio**

Wald Test:			
System: %system			
Test Statistic	Value	df	Probability
<b>Price to Earnings ratio</b>			
Chi-square	1177.703	2	0.0000
<b>Price to Book value</b>			
Chi-square	1164.272	2	0.0000
<b>Enterprise value</b>			
Chi-square	1152.461	2	0.0000
<b>Dividend per share</b>			
Chi-square	1176.520	2	0.0000
<b>Earnings per share</b>			
Chi-square	1170.852	2	0.0000

The Wald test statistic for the relationship between ROA and P/E ratio of SBI is 1177.703, With 2 degrees of freedom, the associated p-value is 0.0000. This implies that there is a highly significant relationship between ROA and Price to Earnings ratio. In other words, changes in Price to Earnings ratio have a meaningful impact on ROA in these banks.

In the above table, the Wald test statistic for the relationship between ROA and Price to Book value is 1164.272, with 2 degrees of freedom and a p-value of 0.0000. This indicates a highly significant relationship between ROA and price-to-book value. It indicates that changes in Price to Book value have a substantial influence on ROA of State Bank of India.

The Wald test statistic for the relationship between ROA and Enterprise value is 1152.461, with 2 degrees of freedom and a p-value of 0.0000. The result signifies a highly significant relationship between ROA and Enterprise value. Changes in Enterprise value are significantly associated with variations in ROA within the SBI.

The Wald test statistic for the relationship between ROA and Dividend per share is 1176.52, with 2 degrees of freedom and a p-value of 0.0000. The study demonstrates a highly significant relationship between ROA and Dividend per share. Movements in Dividend per share have a substantial impact on ROA in SBI.

The Wald test table for the relationship between ROA and Earnings per share, the test statistic is 1170.852, with 2 degrees of freedom and a p-value of 0.0000. This indicates a highly significant relationship between ROA and Earnings per share. Changes in Earnings per share are strongly associated with variations in ROA of State Bank of India.

*Wald tests demonstrate a statistically significant relationship between the respective financial performance and stakeholders wealth metrics (**Price to Earnings, Price to Book, Enterprise value, Dividend per share, and EPS**) and **ROA** of State Bank of India. These results show that these financial performance and stakeholders wealth metrics have a substantial impact on the banks' ROA, which is an essential measure of profitability and efficiency.*

**OBJECTIVE-2: To Identify the effect of financial performance on the stakeholder wealth Metrics of SBI.**

*The second objective of the study seeks to identify how the financial performance of specific SBI in India directly influences the wealth of their stakeholders. To achieve this, we will employ Ordinary Least Squares (OLS) analysis, a statistical method commonly used to understand and quantify the relationships between variables. This analysis will help us uncover the precise impact of financial performance on the wealth of stakeholders in the selected banks, providing valuable insights for investors and financial institutions.*

**Hypothesis:**

**H0:** There is no significant effect of financial performance on stakeholders' wealth metrics of SBI.

**H1:** There is a significant effect of financial performance on stakeholders' wealth metrics of SBI.

**Table No 8****OLS table of ROAs impact on stakeholders' wealth metrics**

Dependent Variable: RETURN_ON_ASSETS_SBI				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.152444	0.988686	1.964189	0.8777
PE_SBI	-0.018559	0.026789	2.692796	0.4897
PB_SBI	-1.449595	0.834604	3.736866	0.0849
ENTERPRISE_VALUE___PBDITA_SBI	0.662673	0.310823	2.131994	0.0350
DIVIDEND_PER_SHARE	0.797257	0.585888	1.967067	0.1761
EPS	0.037430	0.015137	2.472823	0.0148
R-squared	0.104855	F-statistic		2.905003
Adjusted R-squared	0.068760			

Source: Secondary data (CMIE Prowess)

The presented table explores the influence of ROA on stakeholders' wealth in the specific context of SBI. The statistical method employed for estimating the relationships between variables is Least Squares. The data analyzed spans from 2014 to 2023. The study findings reveal that the negative coefficients observed for both P/E (-0.018559) and P/B (-1.449595) imply that an increase in these ratios is linked to a decrease in ROA, indicating an adverse impact on the bank's profitability. Conversely, the positive coefficient for Enterprise Value (EV) (0.662673) suggests that an increase in EV corresponds to an increase in ROA, indicating a favorable influence on Return on Assets when the bank's Enterprise value rises. Similarly, the positive coefficients for Dividend per Share (DPS) (0.797257) and Earnings per Share (EPS) (0.037430) signify that higher values of these variables are associated with an increase in ROA, indicating a positive effect on the bank's profitability.

*The findings of the study elucidate the connection between financial performance indicators and ROA for the State Bank of India. Specifically, P/E and P/B demonstrate a negative influence on ROA, suggesting that elevated values of these ratios tend to decrease ROA. In contrast, Enterprise value (EV), Dividend per share (DPS), and Earnings per share (EPS) exhibit positive associations with ROA, implying that an increase in these indicators tends to improve Return on Assets.*

**FINDINGS OF THE STUDY**

1. The study revealed a significant positive correlation between Earnings Per Share (EPS) and Return on Assets (ROA) in the State Bank of India, with higher EPS associated with a substantial increase of about 0.7703 units in ROA, signifying improved financial performance.

2. The findings indicated a negative impact of Dividend per Share on the short-term financial performance of the SBI. A one-unit increase in Dividend per Share led to a decrease of approximately 7.14 units in ROA, suggesting that higher dividend payouts may adversely affect short-term financial performance of SBI.
3. The study revealed a negative association between P/E ratio and ROA in State Bank of India, indicating that a higher P/E ratio is linked to a decrease in profitability by approximately -0.0186.
4. The findings demonstrated a positive correlation, indicating that a one-unit increase in Enterprise value (EV) is associated with an increase in ROA by approximately 0.6627 in State Bank of India, reflecting a positive impact on Return on Assets with a rise in Enterprise value.

### **CONCLUSION OF THE STUDY:**

The study underscores the profound impact of State Bank of India's financial performance on stakeholders' wealth metrics. The robust positive correlation discovered between Earnings Per Share (EPS) and Return on Assets (ROA) highlights the pivotal role of earnings generation in enhancing the bank's overall financial performance. Conversely, the study illuminates the negative influence of Dividend per Share on short-term ROA, emphasizing the potential drawbacks of elevated dividend payouts on immediate financial outcomes for SBI. Additionally, the study uncovers a nuanced relationship, revealing that a higher Price-to-Earnings (P/E) ratio is associated with decreased profitability, suggesting the importance of balancing stakeholder expectations. On a positive note, the positive correlation between Enterprise Value (EV) and ROA signals the potential benefits of increasing SBI's enterprise value, offering strategic insights for stakeholders and decision-makers. These findings collectively contribute to a comprehensive understanding of the intricate interplay between financial performance and stakeholders' wealth within the context of State Bank of India.

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