



## A Study of the Financial Performance of Selected Public Sector and Private Sector Bank through: CAMEL Model

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### **Abstract:**

*Bank is a financial intermediary that accepts money for deposits and lend money to the people for expenditure and investment purpose and an institution providing the services of transferring money from abundance to scarceness and generating income. Therefore, present study has been conducted to know the financial performance and health of selected private sector banks and public sector banks through CAMEL model. In India, several private banks operating but present study only limited to top 5 private banks i.e. ICICI Bank, Axis Bank, HDFC Bank, Yes Bank and Kotak Mahindra Bank and five public sector banks SBI, PNB, IDBI, Bank of India, Oriental Bank of Commerce. Time period for study is taken from financial year 2012-13 to 2016-17. Data collected for study purpose is purely secondary in nature and collected manly from annual report of banks, journals, thesis, published documents and relevant websites.*

**KEYWORDS:** CAMEL, Capital Adequacy Ratio, Credit Deposit Ratio, Net Profit, NPA, Return on Average Assets.

### **INTRODUCTION**

Bank is a financial intermediary that accepts money for deposits and lend money to the people for expenditure and investment

purpose and an institution providing the services of transferring money from abundance to scarceness and generating income. The word 'Bank' basically means 'bench or counter'. This word comes from



the middle French word named “banque”. Due to the importance of banks in the financial system and national economy, they are extremely regulated in most countries and now become the component and pack of everybody’s life. The banking organization has played a critical role in the mobilization of funds and encouragement of economic development. As the real economy is vibrant, it is very important that the banking system is adaptive and competitive sufficient to manage with various demands and objectives made on it by a variety of constituents of the economy. From the point of view of financial insertion also, there is a requirement to make accessible the monetary services to the expelled segments of the society. The banking industry has become a reality in today's financial system, as it is witness a development both in terms of the number of institutions and in terms of the total of money regulate by actions. In spite of this growth and successes achieved by the banking organizations universal, it still have challenges which will need further concentrated efforts on the part of these organizations, such as to improve the value of its yield and services, to progress upon their personage performances and to keep

pace with the quick growth taking place in the world. The commercial banks those were dominating the markets have been effected by the globalization, struggle and explosive market active pressures.

## REVIEW OF LITERATURE

**Manas Kumar Baidya and Debabrata Mitra (2012)** studied for calculated and evaluated the technical efficiency of 26 Indian public sector banks as of the cross-section statistics of the financial year 2009-2010 and to present ranking of effectiveness to these banks by means of two accepted data envelopment analysis models: CCR and Andersen and Petersen's super-efficiency model. The outcome exposed that average technical efficiency of whole sample is 86.5% and that just seven banks (23%) are originate to be fully competent. As a result, there was a capacity of efficiency development of 19 public sector banks in India. The study had establish that, the banks which were by means of additional labour for as long as their services are comparatively more incompetent. In regulate to improve the competence; most of the incompetent banks should track the good in use practices of four banks namely Indian

Bank, Allahabad Bank, State Bank of India and Corporation Bank. State Bank of India had been experiential to be the majority competent bank followed by Indian Bank, Corporation Bank for every super-efficiency score where, most incompetent bank was United Bank of India.

**Kumar and Sharma (2014)** studied on “Performance Analysis of Top Indian Banks Through Camel Approach”. This study analyzes the various factors of performance and strongness in the country Banking sector, by CAMEL model. The study based on top 8 market capitalized banks and calculates many factors determining these by used of econometric analysis of the Secondary Data collected from various reliable and authentic sources for a period of 6 years, financial year 2007-08 to 2012-13. This study identified that PNB bank is highly management efficient bank. They found that earning quality of SBI and PNB are on top position. SBI is highest NPA level among all peer banks followed by ICICI bank .

**Khatik and Nag (2014)** studied on “Analyzing soundness of Nationalized Banks in India: a camel approach”. The

objective of study observe the overall performances and soundness of nationalized banks with the use of CAMEL Model approach .For find out the result they used Camel approach incorporating important factors like earning quality, management efficiency, assets quality, capital adequacy and liquidity. They concluded that Bank of Broda was on the top position, the Union Bank of India and Dena Bank hold 2<sup>nd</sup> position and on 4<sup>th</sup> position was SBI. UCO Bank was on last position.

**Trivedi et al (2015)** studied on “A Comparative Analysis of Performance of Public & Private Sector Banks In India Through Camel Rating System”. The objective of the study was evaluating the performance of the banks according to the CAMEL model. The performance of 4 banks (two public & two private) was studied for the period 2008-2009 to 2012-2013. The authors concluded that the competition was very tough and customers got better service quality better bargains.

**Kaur and Kaur (2016)** studied on “Camel analysis of selected public sector banks”. The study concentrates on 10 public banks as sample. The data collected in the study

for the ten years (2004-05 to 2013-14). In this study the authors used CAMEL Approach was applied to evaluate the financial performance of selected public sector banks. Based on the set indicator as defined by CAMEL framework the financial performance evaluated with the help of various ratios. On the basis of Camel model, the researchers found that Bank of Baroda and PNB were considered the most stable banks. Indian Bank and IDBI banks, Canara Bank & SBI were considered average, and the Union Bank, Bank of India, Syndicate Bank & CBI were considered below average, and were closely monitored to ensure their viability.

### **Objective of the Study**

To study the financial performance of selected Public sector and Private sector bank through CAMEL model;

### **CAMEL Rating System**

CAMEL model is a simple and appropriate model for managerial and financial assessment of organizations. It is classified

as a modern approach to evaluate the performance. This method has been used more in foreign countries but in our country little efforts has been done to introduce this model and use it to measure their performance. But it is not used as a formal method which Central Bank introduces it. So there is still a need for further investigation in this field. For this purpose we measure the dimensions of the CAMEL model such as capital adequacy , asset quality, management quality, earning performance and liquidity([www.slideshare.net](http://www.slideshare.net)). This rating system is designed to take into account and reflect all significant financial and operational factors for evaluating a credit union performance.

The banks were judged on five different components under the acronym C-A-M-E-L:

C – Capital Adequacy

A – Asset Quality

M – Management Soundness

E – Earnings Capacity and

L – Liquidity

### Research Methodology

This study is a descriptive and analytical research as it calculates and interprets the various ratios under CAMEL model for the selected Indian banks after global financial crisis in order to arrive at appropriate conclusion.

### Data Collection

The data has been collected for the study from secondary source. In order to collect the data for analyzing the financial performance of banks, bank's financial statement like balance sheets, profit & loss A/C, explanatory notes are used. The data of the sample banks for a period of 2012-13 to 2016-17 have been collected from the annual reports published by the banks and RBI website.

## DATA ANALYSIS AND INTERPRETATION

**Table No. 4.1**

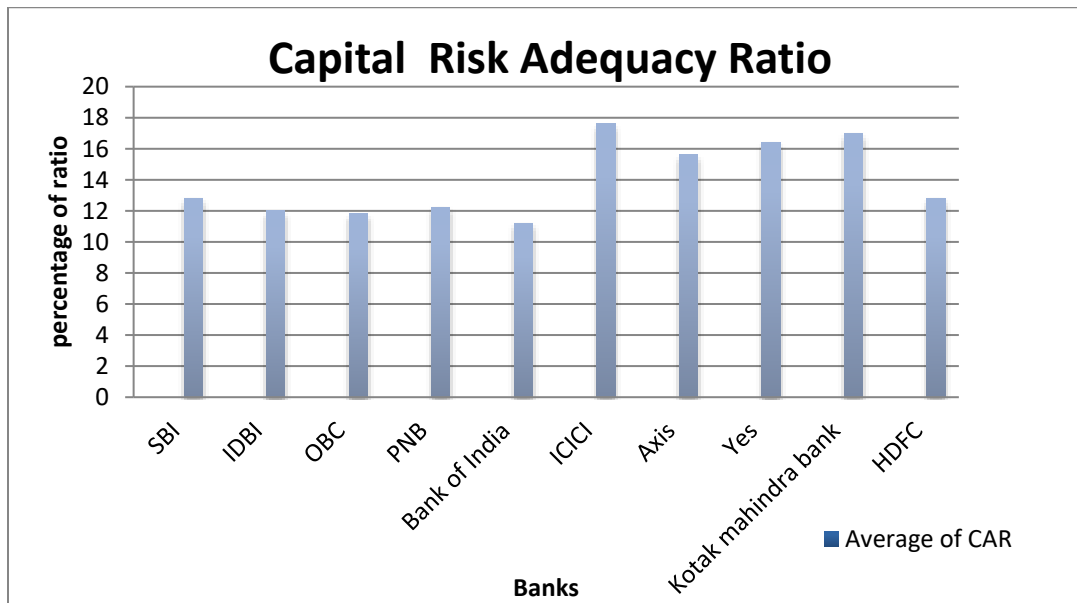
### Capital Risk Adequacy Ratio

(value in %)

	Bank/Year	2016-17	2015-16	2014-15	2013-14	2012-13	Average	Rank
Public Sector Banks	SBI	13	13	12	13	13	12.80	1
	IDBI	11	12	12	12	13	12.00	3
	OBC	12	12	11	12	12	11.80	4
	PNB	12	11	13	12	13	12.20	2
	Bank of India	12	12	11	10	11	11.20	5
	<b>Average</b>	<b>12.00</b>	<b>12.00</b>	<b>11.80</b>	<b>11.80</b>	<b>12.40</b>	<b>12.00</b>	
Se ct or	ICICI	17	17	17	18	19	17.60	1

Axis	15	15	15	16	17	15.60	4
Yes	17	17	16	14	18	16.40	3
Kotak Mahindra bank	17	16	17	19	16	17.00	2
HDFC	14.6	15.50	9	9	15.94	12.81	5
<b>Average</b>	<b>16.12</b>	<b>16.10</b>	<b>14.80</b>	<b>15.20</b>	<b>17.19</b>	<b>15.88</b>	

Source:([www.moneycontrol.com](http://www.moneycontrol.com))



**Figure - 4.1 : Capital Risk Adequacy Ratio**

**INTERPRETATION**

Table 4.1 and figure 4.1 shows that in public sector banks SBI leads the all public banks with average in Capital Adequacy Ratio (CRAR) 12.80%

followed by PNB bank (12.20%) and IDBI bank (12.00%. In private sector banks ,ICICI leads all private banks with average of CRAR 17.60% followed by Kotak Mahindra bank (17.00%) and YES

bank (16.40%) . All these banks fulfilled the minimum requirement of Capital adequacy i.e.9%. the trend of CRAR are fluctuating during the period of study. The overall

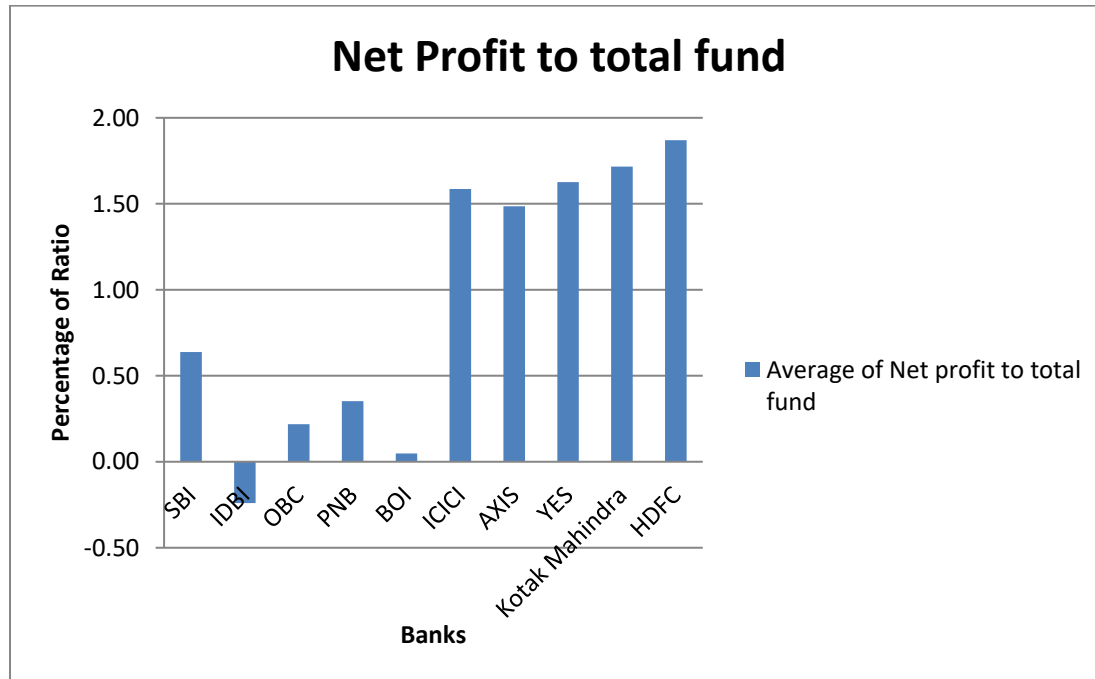
average of CRAR of five private sector banks (15.88%) is higher than the five public sector banks(12.00%) during the period of study (2012-13 to 2016-2017).

**Table No. 4.2**  
**Net Profit to total fund**

(Value in %)

	Bank/Year	2016-17	2015-16	2014-15	2013-14	2012-13	Average	Rank
Public Sector Banks	SBI	0.43	0.46	0.68	0.65	0.97	0.64	1
	IDBI	-1.42	-1.01	0.26	0.35	0.62	-0.24	5
	OBC	-0.45	0.07	0.22	0.54	0.71	0.22	3
	PNB	0.19	-0.63	0.53	0.65	1.02	0.35	2
	BOI	-0.25	-0.99	0.29	0.53	0.66	0.05	4
	<b>Average</b>	<b>-0.30</b>	<b>-0.42</b>	<b>0.40</b>	<b>0.54</b>	<b>0.80</b>	<b>0.20</b>	
Private Sector Banks	ICICI	1.32	1.43	1.80	1.73	1.65	1.59	4
	AXIS	0.65	1.67	1.74	1.72	1.65	1.49	5
	YES	1.75	1.68	1.64	1.55	1.51	1.63	3
	Kotak Mahindra	1.68	1.40	1.93	1.75	1.82	1.72	2
	HDFC	1.85	1.89	1.89	1.90	1.82	1.87	1
	<b>Average</b>	<b>1.45</b>	<b>1.61</b>	<b>1.80</b>	<b>1.73</b>	<b>1.69</b>	<b>1.66</b>	

Source: [www.moneycontrol.com](http://www.moneycontrol.com)



**Fig. - 4.2: Net Profit to total fund**

## INTERPRETATION

Table 4.2 and Fig. 4.2 Exhibits that in case of public sector banks, SBI is on top position with average of Net Profit to total fund 0.64% followed by PNB bank (0.35%) and PNB bank (0.22%). In private sector banks, HDFC is on top position with average of Net Profit to total fund 1.87%

followed by, Kotak Mahindra bank (1.72%) and YES bank (1.63 %). The overall grand average of Profit per Employee of five private sector banks (1.16%) is much better than the five public sector banks (0.20%) during the period of study (2012-13 to 2016-2017).

## Table No. 4.3

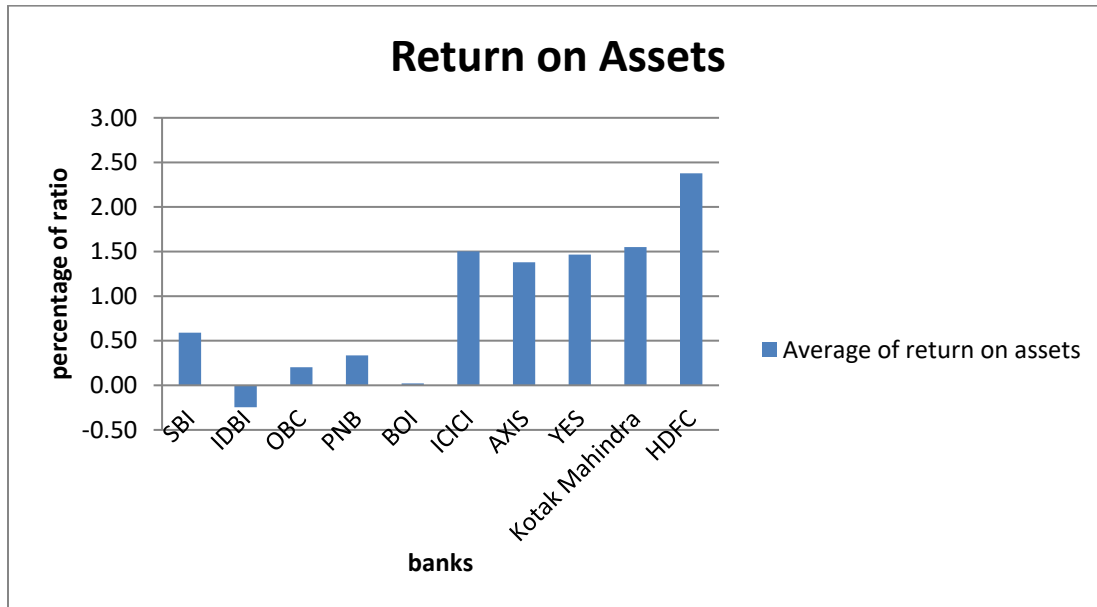
### Return On Assets



(Value in %)

	Bank/Year	2016-17	2015-16	2014-15	2013-14	2012-13	Average	Rank
Public Sector Banks	<b>SBI</b>	0.38	0.44	0.63	0.6	0.9	0.59	1
	<b>IDBI</b>	-1.42	-0.97	0.24	0.34	0.58	-0.25	5
	<b>OBC</b>	-0.43	0.06	0.21	0.51	0.66	0.20	3
	<b>PNB</b>	0.18	-0.59	0.5	0.6	0.99	0.34	2
	<b>BOI</b>	-0.24	-0.99	0.27	0.47	0.6	0.02	4
	<b>Average</b>	<b>-0.31</b>	<b>-0.41</b>	<b>0.37</b>	<b>0.50</b>	<b>0.75</b>	<b>0.18</b>	
Private Sector Banks	<b>ICICI</b>	1.26	1.34	1.72	1.64	1.55	1.50	3
	<b>AXIS</b>	0.61	1.56	1.59	1.62	1.52	1.38	5
	<b>YES</b>	1.54	1.53	1.47	1.48	1.31	1.47	4
	<b>Kotak Mahindra</b>	1.58	1.08	1.76	1.71	1.62	1.55	2
	<b>HDFC</b>	2.21	2.45	2.35	2.4	2.48	2.38	1
	<b>Average</b>	<b>1.44</b>	<b>1.59</b>	<b>1.78</b>	<b>1.77</b>	<b>1.70</b>	<b>1.66</b>	

Source:www.moneycontrol.com



**Fig - 4.3 : Return on Assets**

### INTERPRETATION:

Table 4.3 and Fig. 4.3 Exhibits that in case of public sector banks, SBI is on top position with average of Return on Assets 0.59% followed by PNB bank (0.34%) and OBC bank (0.20%). In private sector banks, HDFC is on top position with average of Return on Assets 2.38% followed by, Kotak Mahindra bank (1.55%) and ICICI bank (1.50 %). The overall grand

average of Return on Assets of five private sector banks (1.66%) is better than the five public sector banks (0.18%) during the period of study (2012-13 to 2016-201)

### Findings:

The followings are the major findings that are drawn from this study.

- Each of the sampled public and private banks has gone above the minimum capital adequacy ratio of 9

%prescribed by the RBI. So all the banks have maintained level of capital sufficient to tackle the risk of shortage of capital.

- In private sector Banks, HDFC bank, Kotak Mahindra Bank's net profit to total fund more which is a safe and regular source of income of banks as compare to public sector banks.
- Earning capacity of Kotak Mahindra Bank, HDFC and ICICI bank in private Banks is more satisfactory by earning more profit, return on asset as compare to SBI bank, PNB bank in public sector banks. Private sector banks also provide more profit other than banks.
- The overall conclusion is that performance of private sector banks is more efficient as compare to public sector banks

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