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Performance Measurement of Top Six Banks in India Including Public and Private sectors (Using Camel Model)

Pankaj Kumar & Deepak Kumar
Assistant Professor (Deptt. of Commerce) D.B.G Govt.P.G. College, Panipat
M.Com, M.Ed
deepak90680@rediffmail.com

Abstract

This study provides a framework for establishing mean and rank test on performance measurement of top six banks in india including both-public and private sectors. As State Bank of India is the leading public sector bank in the country, its exposure to capital adequacy, non-performing assets and earning per share specifically to sector based exposure on outstanding amounts and its prediction could be a guiding post for further research. This paper makes an attempt to measure the performance of top six banks in india including both sectors.. It also explains the various variables of performance measurement and how these variables assist in measuring the efficiency of banks. It describes the significant relationship between these variables and efficiency of these banks. For achieving the objective of the study data has been collected from secondary sources i.e. from books, journals and online publication etc.

Key Words: - Capital Adequacy Ratio, Liquidity Ratio, Non-Performing Assets, Earning Per Share and Profit Per Employee.

Introduction

During the 20th century in most of the nations, domestic banking was generally subjected to heavy regulations and financial repression. The growth and financial stability of the country depends on the financial soundness of its banking sector.

The Indian banking sector has been working in a more open and globalize environment for two decades since liberalization. The liberalization process of Indian Economy has made the entry of new private sector banks possible and allowed the foreign sector banks to increase their branches in the banking sector. Besides, following India's commitment to the WTO, foreign banks have been permitted to open more branches with effect from 1998-99. With the increased competition and the emphatic on profitability, the public sector banks are now moving towards on economic oriented model departing from the social approach followed for decades. in this study top six banks (including both public and private sectors) has been taken as a sample to measure the performance of these banks. these top banks are-

- **State Bank of India**
- **ICICI Bank**
- **HDFC Bank**
- **Punjab National Bank**
- **Axis Bank**
- **Bank of Baroda**

Review of Related Literature

Prasuna, (2004) examined the performance of Indian banks by adopting the tools and techniques of risk management; the performance of 50 banks was studied during the period 2003-2004. It was concluded that the completion was tough and consumers benefits from it. Better service quality, innovative products, better bargains are all greeting the Indian customers. The coming fiscal will prove to be a transition face of Indian banks as they will have to align their strategic focus to increase interest rates.

Prasad and Chari, (2011) analysed various factors which affects the public and private sector banks by taking twenty three ratios related to capital adequacy, assets quality. These factors were credit risk, operational risk, market risk and liquidity risk. These factors affect the Banks performance. According to this study risk can be divided into two parts i.e. systematic risk and unsystematic risk. This paper also examined that the different techniques adopted by banking industries for risk management. To achieve the objective of the study data has been collected from secondary sources i.e. various books, various journals and online publications, identified various risk faced by banks, develop the process of risk management techniques. Finally it can be concluded that the banks should take risk more consciously.

Aspal and Malhotra, (2013) evaluated the financial performance of Indian public sector banks excluding state bank group for the period of 2007-11 and found that IDBI bank was at the first position with overall composite ranking average of 6.05 due to better performance in the area of liquidity risk management and assets quality, closely followed by Andhra bank with average of 6.15 because of its strength in the spheres of management efficiency, capital adequacy and assets quality.

RESEARCH METHODOLOGY

SIGNIFICANCE OF THE STUDY

The study is supposed to highlight the various performance measurement parameters of banks in India. The present study will identified the various parameters of Indian banking performance measurement and identify the various variables of camel model for its performance measurement. This identification provides an insight about the role of Indian banking system in the industrial development of their respective states. The study of the various parameters of the banking sector will help in suggesting the corrective measures for increasing their efficiency and achieving their objective of risk management.

OBJECTIVE OF THE STUDY

The following are the main objective of the study

1. To study the various variables of performance measurement in banking industry. .
2. To find out the non-performing assets (NPA) position and capital adequacy ratio (CAR) of top six banks in india including public and private sectors..

RESEARCH METHODOLOGY

The study has been carried out by studying the results of these Banks over a period of 2012 to 2016.

An empirical study has been made to evaluate the performance and measurements of bank. For this purpose only secondary

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and published data has been collected from various sources such as various websites of banks and used various journals of banks.

Followings are the various variables (Camel Model) used to study the measurement of performance of top six banks in India-.

Capital Adequacy: - It is also called the risk weighted capital to assets. It reflects the financial conditions of the banks to meet additional requirement of funds.

Non-Performing Assets: - It is measured in terms of potential credit risk associated with lending. It is testing instrument to reflect the ability of management in discovering and controlling risk.

Profit per employee (PPE):- profit per employee is calculated by net profit is divided by total employees working in the banks. If Profit per Employee is higher, it reflects the better risk management in banks and vice-versa.

Earning Per Share: - The earning of banks reflects its gross capacity and financial health. In the present study, earning quality of banks is measured in terms of return on assets.

Liquidity ratio:- liquidity for a bank implies the cash position of the bank. In other words, the ability to meet its day to day cash needs. However, sometimes due to various reasons, a bank may suddenly experience huge withdrawals. In this study, the liquidity of a bank is measured by using cash to deposit ratio**.**

Data Analysis and Interprpretation

In the present study, performance of top six banks in India including both public and private sectors has been examined through the camel model parameters. On the basis of these parameters conclusion is being drawn that which bank has the best financial performance in Indian banking sectors (both public and private sectors). The performance measurement parameters are well defined below with their values according to baks taken as a sample for study-

Table-1

capital adequacy ratio of top six banks in India (including public and private sector) with their mean and rank

BANKS	2012	2013	2014	2015	2016	MEAN	RANK
SBI	13	13	12	12	13	13	5
ICICI	19	19	18	17	17	18	1
HDFC	17	16	17	17	16	17	2
PNB	13	13	12	12	13	12	6
AXIS BANK	17	16	15	15	15	16	3
BOB	15	15	13	12	12	14	4

Source-www.moneycontrol.com

Analysis-The above table-1 shows the capital adequacy ratio of top six banks during **2012** to **2016** with their mean value and ranking. It can be observed from the above table that ICICI Bank was at the first place in this ranking having highest average Capital Adequacy Ratio **18** followed by HDFC and AXIS Bank having average Capital Adequacy ratio during **2012** to **2016, 17** and **16** respectively. During **2012** to **2016**, Bank of Baroda and SBI was at fourth and fifth place having average Capital Adequacy Ratio of **14** and **13** respectively. Punjab National Bank was at the last place in this ranking of top six bank having minimum average capital adequacy ratio of **12.** It shows that the PNB has the low performance among all top six banks in India including both public and private sectors.

Assets quality parameter of camel model to measuring the performance of banks – This parameter include NPA (Non-Performing Assets)

Table-2

Value of NPA (Non-Performing Assets) of top six banks in India (including public and private sector) with their mean and rank

(Amont in cr.)

BANKS	2012	2013	2014	2015	2016	MEAN	RANK
SBI	15818.85	21956.48	31096.07	27590.58	55807.02	30453.80	6
ICICI	1860.84	2230.56	3297.96	6255.53	12963.08	5319.60	4
HDFC	468.95	820.03	896.28	896.28	1320.37	880.38	1
PNB	2038.63	4454.23	7236.50	9916.99	15396.50	7808.57	5
AXIS BANK	704.13	1024.62	1361.71	1361.71	2522.14	1394.86	2
BOB	790.88	1543.64	4192.02	6034.76	8069.49	4126.16	3

Source-www.moneycontrol.com

Analysis-The above table-2 shows the Non-Performing Assets of top six banks in Idia including both public and private sectors during **2012** to **2016** with their mean value and ranking. It can be observed from the above table that HDFC was at the first place in this ranking having minimum average Non Performing assets Rs. **880.38** Crore followed by Axis Bank and Bank of Baroda having average Non-Performing Assets during **2012** to **2016** was Rs. **1394.87** and Rs. **4126.16** Crore respectively. During **2012** to **2016**, ICICI and PNB was at fourth and fifth place having average Non – Performing Assets of Rs.**5319.60** and Rs. **7808.57** Crore respectively. SBI was at the last place in this ranking of top six bank having maximum average Non-Performing

Assets of Rs. **30453.80** Crore. It shows that the SBI has the low performance in relation to the Non-Performing Assets management.

Management efficiency parameter of camel model to measuring the performance of banks –This parameter include PPE (profit per employee)and BPE(business per employee).in this paper PPE is taken as a parameter.

Table-3

Value of PPE (Profit Per Employee) of top six banks in India (including public and private sector) with their mean and rank

(Amount in cr.)

BANKS	2012	2013	2014	2015	2016	MEAN	RANK
SBI	.o71	.o55	.066	.066	.050	.062	6
ICICI	.25	.33	.39	.44	.38	.36	2
HDFC	.45	.57	.69	.69	.83	.65	1
PNB	.13	.16	.22	.27	.21	.20	3
AXIS BANK	.12	.15	.17	.17	.19	.16	5
BOB	.14	.17	.11	.24	.22	.18	4

Source-www.moneycontrol.com

Analysis-The above table-3 shows the profit per employee(PPE) of top six banks during **2012** to **2016** with their mean value and ranking. It can be observed from the above table that HDFC Bank was at the first place in this ranking having highest average PPE was .**65 Crore** followed by ICICI and PNB having average PPE during **2012** to **2016, .36** and **.20 Crore** respectively. During **2012** to **2016**, Bank of Baroda and Axis Bank was at fourth and fifth place having average PPE of **.18** and **.16** respectively. SBI was at the last place in this ranking of top six bank having minimum average PPE of **.062.** It shows that the SBI has the low performance among all top six banks in India including both public and private sectors.

Table-4

Value of Earning Per Share of top six banks in India (including public and private sector) with their mean and rank

(Amount in cr..)

BANK	2012	2013	2014	2015	2016	MEAN	RANK
SBI	184.31	210.06	156.76	17.55	12.98	116.33	1
ICICI	56.11	72.20	84.99	19.32	16.75	49.87	5
HDFC	28.49	35.47	42.00	42.15	48.84	39.39	6
PNB	139.94	144.01	134.31	92.32	16.51	105.42	2
AXIS BANK	119.67	132.56	31.18	31.00	34.59	69.80	4
BOB	116.37	127.84	108.84	107.38	15.83	95.25	3

Source-www.moneycontrol.com

Analysis-The above table-4 shows the Earning per Share(EPS) of top six banks during **2012** to **2016** with their mean value and ranking. It can be observed from the above table that SBI was at the first place in this ranking having highest average EPS was 116.33 **Crore** followed by PNB and BOB having average EPS during **2012** to **2016, 105.42** and **95.25 Crore** respectively. During **2012** to **2016**, Axis Bank and ICICI Bank was at fourth and fifth place having average EPS of **69.80** and **49.87** respectively. HDFC was at the last place in this ranking of top six bank having minimum average EPS of **39.39 Crore.** It shows that the HDFC has the low performance among all top six banks in India including both public and private sectors in relation to the average Earning per Share parameter.

liquidity parameter of camel model to measuring the performance of banks –This parameter include current assets ratio and quick assets ratio. In this paper current assets ratio is taken as a parameter .

Table-5

Current assets (C.R) ratio of top six banks in India (including public and private sector) with their mean and rank

BANKS	2012	2013	2014	2015	2016	MEAN	RANK
SBI	.03	.03	.02	.03	.03	.028	3
ICICI	.03	.03	.03	.03	.03	.03	2
HDFC	.02	.02	.01	.02	.03	.02	6
PNB	.03	.02	.02	.02	.02	.022	5
AXIS BANK	.03	.02	.02	.03	.03	.026	4
BOB	.04	.03	.03	.04	.03	.034	1

Source-www.moneycontrol.com

Analysis-The above table-5 shows the current assets ratio of top six banks during **2012** to **2016** with their mean value and ranking. It can be observed from the above table that BOB was at the first place in this ranking having highest average Current assets Ratio **.034** followed by ICICI and SBI having average Current assets ratio during **2012** to **2016, .03** and **.028** respectively. During **2012** to **2016**, Axis Bank and PNB was at fourth and fifth place having average Current assets Ratio of .026 and **.022** respectively. HDFC Bank was at the last place in this ranking of top six bank having minimum average current assets ratio of **.02.** It shows that the HDFC Bank has the low performance among all top six banks in India including both public and private sectors.

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