International Journal of Innovative Research in Management Studies (IJIRMS)
Volume 5, Issue 11, August 2022. pp.6-11.

FINANCIAL PERFORMANCE EVALUATION OF BANKS USING CAMELS MODEL

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Abstract— *It is essential to understate the importance of the banking industry to the growth of the country and the functioning of the monetary system. A sound financial system is necessary for the development of a strong and dynamic economy. The banking industry plays a crucial role in the nation's economy by serving as a bridge across all sectors of the economy, including manufacturing, textile, construction, and agriculture. Since the banking industry as a whole has a significant impact on the economy, measuring the sector's performance is a useful way to gauge the health of the economy's financial sector. Typically, the bank's overall financial health and the caliber of its performance are gauged using financing ratios. As part of the CAMELS system, bank regulators utilize financial ratios to assess a bank's performance.*

Keywords—*Banks, CAMELS Model, Economy, Monetory System, Performance Evaluation*

I. INTRODUCTION

The promotion of capital formation, the encouragement of innovations, the monitoring, the influence on economic activity, and the facilitation of monetary policy can be considered as the economic importance of banks to emerging countries.

Camel Model:

"Camel is an international ratings system used by regulating banking authorities to rate of financial institution according to the six factors characterized by its acronym". The camel acronym stands for "capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity".

Camel Framework:

The performance of the banks, which includes six sets of metrics that indicate the assistance of financial institutions, is assessed using the International Monitoring Framework, which meets with international norms for risk monitoring.

The Mechanism and ratios of CAMEL Model,

1. C-Capital adequacy
2. A-Asset quality
3. M-Management efficiency
4. E-Earning
5. L-Liquidity
6. S-Sensitivity/Risk

II. REVIEW OF LITERATURE

Prof. Kirankumar R. Bannigolan and Kumarsomling B.Balikai in their article "Camel rating approach in financial Performance analysis of nationalized banks of India" They investigated how the performance of banks is impacted by capital sufficiency, Asset quality, Management soundness, Earnings and profitability, Liquidity, and Market sensitivity in 6 selected nationalized banks in India (10 years of data). The study makes an honest effort to use the original camel rating technique.

S.Panboli and Kiran Barda in their article “Camel research of selected private and public sector bank in India” They used the Camel model to analyze the financial performance of a few private and public sector banks, ranking them based on the Camel model's parameter. According to all of the camel model's parameters and their sub-parameters, private sector banks outperform public sector banks. According to the study's findings, private sector banks appear to perform better than public sector banks across all of the camel model's parameters and sub-parameters.

III. OBJECTIVES

1. To analyze the financial Performance of selected banks using the camel model

2. To Examine the each dimensions of camel model in financial performance

3. To Rank selected banks on Camel Model dimensions.

IV. RESEARCH METHODOLOGY

Data collection:

The data are collected from secondary sources such as books, articles, and internet sources.

Period of study:

Data for the study was collected from 4 banks from 2016 to 2020.

V. CAMELS MODEL

1. CAPITAL ADEQUECY

a) Capital to Risk weighted asset ratio

CRAR=Total share holder’s equity/Risk weighted Assets

Year	SBI	BOI	ICICI	AXIS
2020	3.08	0.096	0.01	6.61
2019	3.35	0.084	0.01	8.57
2018	3.93	0.064	0.02	8.57
2017	5.17	0.038	0.01	0.01
2016	5.52	0.033	0.02	0.01
Average	4.21	0.063	0.01	3.04
Rank	1	3	4	2

The above table shows that the capital to weighted asset ratio is high in the SBI banks compared with other bank. High CRAR is good for business and it is favorable to SBI.

b) Capital Adequacy

CA=Liabilities/Equity

Year	SBI	BOI	ICICI	AXIS
2020	182.76	107.48	37.07	74.70
2019	163.14	112.79	29.35	64.30
2018	187.27	196.50	23.48	51.12
2017	194.68	340.88	29.39	54.89
2016	205.17	505.75	29.85	31.70
Average	186.61	232.685	29.83	55.34

Rank	2	1	4	3

The above table depicts that capital adequacy ratio is increasing year by year for BOI. It indicates the bank is in good condition.

2. ASSETS

a) Return on Asset

ROA=Net Income /Total Asset*100

Year	SBI	BOI	ICICI	AXIS
2020	0.37	0.45	0.72	0.18
2019	0.29	0.88	0.35	0.58
2018	0.19	0.99	0.77	0.04
2017	0.39	0.24	1.27	0.61
2016	0.42	0.99	1.35	1.57
Average	0.20	-0.715	0.89	0.60
Rank	3	4	1	2

The above table reveals that ICICI bank management efficiency is good as compared it with other banks.

b) Fixed asset to Total asset ratio

Ratio=Fixed asset/Total assets*100

Year	SBI	BOI	ICICI	AXIS
2020	0.79	1.36	0.77	0.47
2019	1.06	1.42	0.82	0.50
2018	1.15	1.35	0.90	0.57
2017	1.58	1.35	1.01	0.62
2016	0.44	1.39	1.05	0.67
Average	1.04	1.37	0.91	0.57
Rank	2	1	4	3

The above table shows that fixed assets to total assets ratio of BOI is stable for all the years which indicates the banks position is in favorable condition.

3) MANAGEMENT QUALITY

a) Interest Expenses ratio

IER=Interest Expenses/Interest Income

Year	SBI	BOI	ICICI	AXIS
2020	0.88	0.69	0.45	0.77
2019	0.95	0.66	0.47	0.80
2018	1.03	0.72	0.44	0.80
2017	0.95	0.69	0.44	0.80
2016	0.92	0.71	0.46	0.80

Average	0.94	0.68	0.45	0.80
Rank	1	3	4	2

The above table reveals that average interest expense ratio of ICICI bank is low which is in unfavorable position and facing problems in financial services, lack of maintenance and unavailable services.

b) Management to total Liabilities Ratio

Total liabilities Ratio=Total liabilities/ No of Branches

Year	SBI	BOI	ICICI	AXIS
2020	178.46	68.98	206.30	202.11
2019	167.23	60.19	197.88	197.78
2018	154.13	66.83	186.64	186.69
2017	157.59	71.72	159.13	182.04
2016	140.46	65.31	161.95	180.95
Average	159.58	66.73	181.18	189.91
Rank	3	4	2	1

The above table shows that management to total liabilities ratio of AXIS bank is high as compared to other banks, which indicates the total liabilities of bank are increasing irrespective of number of branches.

4) EARNING ABILITY

a) Earning on loan ratio

EOL=Loan Income/Loan

Year	SBI	BOI	ICICI	AXIS
2020	1.43	0.37	0.25	0.74
2019	1.50	0.37	0.27	0.83
2018	1.55	0.36	0.28	0.73
2017	1.46	0.33	0.29	0.81
2016	1.41	0.29	0.27	0.78
Average	1.47	0.35	0.27	0.78
Rank	1	3	4	2

The above table depicts that earning on loan ratio of SBI bank is high which indicates loan income of the bank is increasing every year, it shows the financial performance of the bank is good.

b) Earning on deposit ratio

EOD=Deposit cost/Deposit

Year	SBI	BOI	ICICI	AXIS
2020	0.049	0.05	0.05	0.058
2019	0.053	0.05	0.06	0.060
2018	0.053	0.05	0.06	0.059
2017	0.055	0.05	0.07	0.063

2016	0.061	0.06	0.07	0.067
Average	0.054	0.05	0.06	0.062
Rank	3	4	2	1

The above table shows that Earning on deposit ratio of AXIS bank is high, which indicates the bank is accepting more deposits by the customer that increases the banks earning ability.

5) LIQUIDITY

a) Liquidity asset to total ratios

Liquidity asset to total asset ratio=Liquidity asset/Total asset*100

Year	SBI	BOI	ICICI	AXIS
2020	7.32	5.19	6.91	9.33
2019	7.23	5.25	8.48	7.48
2018	6.57	4.42	8.15	7.58
2017	5.69	4.41	8.10	7.58
2016	5.59	3.98	7.98	5.29
Average	6.55	4.65	7.93	7.39
Rank	3	4	1	2

The above table shows that liquidity assets to total assets ratio of ICICI bank is high, which indicates the banks liquidity position is favorable.

b) Liquidity of current Liability to deposit ratios

Liquidity=Current liability/Deposit

Year	SBI	BOI	ICICI	AXIS
2020	0.050	0.03	3.27	0.07
2019	0.050	0.03	2.94	0.06
2018	0.061	0.02	2.30	0.06
2017	0.075	0.03	2.10	0.06
2016	0.092	0.03	2.03	0.04
Average	0.066	0.03	2.53	0.06
Rank	2	4	1	3

The above table depicts that Liquidity of current Liability to deposit ratio of ICICI bank is high which indicates liquidity position of the bank is good as compared to other banks.

6) SENSITIVITY

a) Long term deposit to total ratios

Sensitivity=Long term deposit/deposit

Year	SBI	BOI	ICICI	AXIS
2020	1.16	1.21	1.51	5.90
2019	1.39	1.19	2.13	7.41
2018	1.53	1.19	2.73	9.15

2017	1.98	1.19	4.05	9.18
2016	2.24	1.11	5.31	9.17
Average	1.66	1.17	3.15	8.62
Rank	3	4	2	1

The above table shows that Long term deposit to total ratios of AXIS and ICICI banks are fluctuating duo to banks are facing the problems and risk in their business and also less availability of service.

b) Provision of loan to loan ratios

Sensitivity=Provision of loan/ loan

Year	SBI	BOI	ICICI	AXIS
2020	0.26	0.72	22.72	0.50
2019	0.36	0.76	21.54	0.50
2018	0.44	0.86	23.09	0.42
2017	0.23	0.84	20.93	0.48
2016	0.18	1.02	22.96	0.29
Average	0.30	0.84	0.43	0.44
Rank	4	1	3	2

The above table reveals that Provision of loan to loan ratios of BOI and AXIS banks are fluctuating because of very low deposits by the deposit holder to the bank.

VI. CONCLUSION

Due to the extensive changes in the banking industry, central banks have recently boosted their use of methodologies like the Camel Model and monitoring quality. The financial performance of the banks was calculated using the CAMEL Model. The objectives implemented the solution through the data collection, made average on banks, and obtained their average rank. In order to increase their overall profitability and financial performance, public sector banks must make improvements in this area.

VII. REFERENCES

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