

A Study on “Camels” and Performance Evaluation of SBI & Indian Bank

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Abstract

The Banking sector is one of the vital components of the financial system. Public sector banks are those in which the government holds more than 50% of the total stock. The government formulates all the financial guidelines for public sector banks. This study entitled “A Study on “CAMELS” and Performance Evaluation of SBI & INDIAN Bank” to understand the financial performance of both public sector banks for a period of five years from 2017-2018 to 2021-2022. The main objective of the study is to compare and evaluate the financial performance of SBI & INDIAN banks. The study is analytical. The tool used for this study is CAMELS components of Capital adequacy, Asset quality, Management Efficiency, Earning quality, Liquidity, and Sensitivity. This study is based on secondary data collected from bank websites, and NSE & BSE websites. This study revealed that the financial performance of INDIAN banks is slightly better. Enhancing the growth of the banking sector and the growth of the Indian Economy is a suggested point for this study. Finally, this study states that both the public sector bank is good at their financial performance.

Keywords: CAMELS Model, Public Sector Bank, Financial Performance.

Introduction

The Banking region is one of the vital additives of the financial machine. The arena affords financial offerings now not handiest to the industry but also the agriculture and family sectors. It additionally plays an important position in the formation of capital inside the economy. India’s Banking zone has an exquisite contribution to the monetary increase of the kingdom. Public area banks are those wherein the government holds extra than 50% of the overall inventory. The authorities formulate all the financial recommendations for public sector banks. In this examination, we have to evaluate the economic overall performance of the most popular banks from the public quarter which are the kingdom bank of India and the Indian financial institution using the CAMELS model. CAMELS version is one such rating device that proved to be higher for overall performance measurement, evaluation, and strategic planning for the destiny boom and development of the Indian banks in the light of converting necessities of this zone. The motive is, the CAMELS model is followed because it’s miles the simplest model and it makes it easy to evaluate the financial performance of an extensive variety of banks.

State Bank of India

State Bank of India is India's biggest and most dependent industrial financial institution. It is one of the oldest banking establishments in the country and is based in Mumbai, Maharashtra. No question, it's by far one of the pinnacle 10 Banks in India in 2023. SBI has quite several banking products for personal banking, corporate banking, NRI banking, wealth management, and extra. The financial institution also offers one of the fine credit cards in India. Country financial institution of India (SBI) a Fortune 500 organization, is an Indian Multinational, Public sector Banking and financial offerings statutory body headquartered in Mumbai.

Indian Bank

Indian financial institution is an Indian public sector bank, hooked up on 15th August 1907, as part of the Swadeshi movement, Indian bank has come a long manner and today stands as considered one of India's choicest public quarter banks. Founded in Chennai, we are a sturdy and diverse 20,000 workforce, constantly committed to bringing the nice of conventional and contemporary banking to you. With a considerable countrywide footprint and strong global connections thru correspondent banks in seventy-two international locations except for department presence in Singapore and Sri Lanka, we serve clients across the spectrum of retail, agricultural, corporate, institutional, and SME domains.

Review of Literature

Ray and Shantu (2021) This has looked at examined, the relevant bank, RBI has advanced and is promoting Small Finance Banks, as an element of niche Banking. The Small Finance Banks encompass all the weaker and unorganized sectors of the economic system. Those banks are investigated using the CAMEL score for the have a look at the period 2019-20. Inferences are drawn using ANOVAs take a look at and also publish Hoc test is employed to conclude. With the aid of making use of the CAMEL score on small finance banks, it changed into observed that there is a distinction in capital adequacy, asset nice, management performance, and liquidity however no difference became found in income ratios. Typical income positions of all of the small finance banks had been similar. There is a distinction in the economic performance of the small finance banks in India. The general monetary performance is quality for Fin Care SFB accompanied by Suryoday SFB and Utkarsh SFB while Jana SFB is the worst performer. The overall performance of Capital SFB and North East SFB became not excellent. On similar analysis of the records, it became discovered that this distinction turned because of the version in the overall performance of these banks.

Subalakshmi et al. (2018) have a look at tested the asset-liability portfolio of SBI and also analyzed the numerous elements like deposit mobilization, funding position, earnings, profitability and efficiency, loans and advances, and non-performing property through applying the technique of ratio analysis. The look protected the period from 2009-2016. The findings counseled that there has been enough improvement in the performance of the financial institution in phrases of credit deposit ratio, Deposits to total property ratio, go back-on fairness, and income Margin. The present studies paintings dealt with the overall performance of SBI concerning Ratio evaluation and percent evaluation. There is enough progress within the SBI and the bank's usual overall performance is right. The overall performance of SBI financial institutions has been analyzed in elements in phrases of deposit mobilization, loans and advances, funding position, non-performing belongings, earnings, and profitability efficiency. In keeping with the analysis, the SBI keeps the specified requirements and runs profitability. SBI has extra profitability because it enters into the industry in addition to the commercial marketplace additionally and regularly it enhancing the provider's satisfaction level. In these relatively aggressive worldwide surroundings, the SBI financial institution has to show top-notch overall performance in various parameters.

Iheanyi and Sotonye (2017) This paper accessed the performance of banks in Nigeria through the usage of the CAMEL rating. 19 years of records have been gathered and analyzed via everyday least squares and the result shows that capital adequacy, management performance, incomes, and liquidity haven't any considerable impact on the profitability of the banks. Property fine harms the profit of the bank. From the result, we located that the CAMEL version has been adequately used to evaluate the performance of Nigeria's banking enterprise. Therefore based totally on the evaluation finish the following, Capital adequacy of Nigeria's banks has no good-sized impact on profitability. Assets exceptional of Nigeria's banks harm their profitability. The control efficiency of Nigeria's banks has no significant impact on profitability. Earnings of Nigerian banks have no sizeable impact on profitability. Liquidity control of Nigeria's financial institutions has no vast effect on profitability. We recommend that the banking enterprise in Nigeria need to wake up and generate enough capital to run the enterprise via income of shares, debt, funding, retained income, etc. To boast their earnings, they should also enhance the fine of assets and ensure that their assets are more performing as opposed to non-appearing belongings.

Research Methodology

Research Design

Here the research type would be Analytical Research through a comparative study of financial statements. Analytical research is a specific type of research that evaluation of facts and information relative to the research being conducted.

Research Gap

Concerning the Review of Literature, we can hereby in for that over the years there have been numerous attempts conducted by researchers and academicians to evaluate the financial position and performance of public sector banks from different aspects of the CAMELS model but, the untouched aspect of the previously conducted researches is the Sensitivity factor/responsiveness of the banks towards market risk. Hence the present study has to highlight, the untouched area sensitivity.

Source of Data

Secondary Data

Existing data generated by large government institutions, healthcare facilities, etc. as part of organizational record keeping. The data is then extracted from more varied data files. The present study is mainly based on secondary data. The data required for the study is collected from bank websites, National Stock Exchange (NSE), Bombay Stock Exchange (BSE) & Money Control App. The financial statement like the balance sheet used for the present study.

Objective of the Study

Primary Objective

- To compare and evaluate the financial performance of SBI & INDIAN Bank.

Secondary Objective

- To study the Capital adequacy of SBI & INDIAN Bank.
- To study the Asset quality of SBI & INDIAN Bank.
- To study the Management quality of SBI & INDIAN Bank.
- To study the Earing ability of SBI & INDIAN Bank.
- To study the Liquidity of SBI & INDIAN Bank.
- To study the Sensitivity of SBI & INDIAN Bank.

Scope of the Study

- The present study covers only 2 banks from the public sector namely SBI & INDIAN Bank.
- CAMELS model is used to evaluate the financial performance of respective banks.
- All required data have been collected through annual reports published by the SBI & INDIAN Bank websites and BSE & NSE websites.

Reason for Choose SBI & Indian Bank

- In the current scenario of 2024, the largest bank in India from a public sector bank is SBI and it has a large market capitalization and balance sheet.
- Indian Bank is the most popular public sector bank and it is the number one nationalized bank in the public sector.

Area of Study

The study environment will be the Banking industry. Two banks have been taken for the study, the State Bank of India and the Indian Bank from the public sector.

Period of Study

The study will cover five financial years from 2017- 18, 2018- 19, 2019- 20, 2020- 21, and 2021-22.

Tools for Analysis

CAMELS components used as a tool for this analysis,
 C - Capital Adequacy. A - Asset Quality. M - Management Efficiency. E – Earnings Ability.
 L – Liquidity position. S – Sensitivity.

Limitation of Study

- As the analysis is entirely based on secondary data, it has its drawback

Data Analysis and Interpretation

1. Capital Adequacy Ratios

(1) Capital Adequacy Ratios

Year	Capital Adequacy Ratio	
	SBI	Indian Bank
2022	13.83	16.53
2021	13.74	15.71
2020	13.06	14.12
2019	12.72	13.21
2018	12.6	12.55
Average	13.19	14.42
Rank	2	1

Interpretation

The average capital adequacy ratio of both banks SBI & INDIAN bank is higher than the threshold limit. However, the capital adequacy ratio of INDIAN Bank is 14.42% which is higher than SBI’s 13.19%.

(2) Advance to Assets Ratio

Year	Advance to Asset Ratio	
	SBI	Indian bank
2022	54.82	57.73
2021	54.02	57.95
2020	58.85	63.81
2019	59.38	64.65
2018	56.01	61.89
Average	56.616	61.206
Rank	2	1

Interpretation

Advance to Asset Ratio helps in determining the aggressiveness of a bank in lending. This aggressiveness eventually increases the bank’s profitability. The average Total Advances to Total Assets Ratio of INDIAN bank stands at 61.21% which is higher than that of SBI which stands at 56.67%.

2. Asset Quality Ratio

(1) Net NAPs to Total Assets Ratio

Year	Net Naps to Total Assetratio	
	SBI	Indian Bank
2022	0.56	1.31
2021	0.81	1.95
2020	1.31	1.99
2019	1.79	2.42
2018	3.21	2.37
Average	1.536	2.008
Rank	2	1

Interpretation

This ratio measures the quality of assets and it measures the bank’s efficiency in assessing credit risk. The average net NAPs to Total Assets of SBI stands at about 1.54 % while that INDIAN bank stands at about 2.008%. This shows the quality of advances of SBI is better than that of INDIAN bank.

(2) Total Investment to Total Assets Ratio

Year	Net Naps to Total Assetratio	
	SBI	Indian Bank
2022	0.56	1.31
2021	0.81	1.95
2020	1.31	1.99
2019	1.79	2.42
2018	3.21	2.37
Average	1.536	2.008
Rank	2	1

Interpretation

This ratio helps in determining the level up to which the bank can deploy its assets in investment as against advances. The average Total Investment to Total Assets ratio of INDIAN bank stands at about 26.51% which is slightly lower as compared to SBI's 28.59%.

3. Management Efficiency Ratio

1. Business Per Employee Ratio

Year	Net Naps to Total Assetratio	
	SBI	Indian Bank
2022	0.56	1.31
2021	0.81	1.95
2020	1.31	1.99
2019	1.79	2.42
2018	3.21	2.37
Average	1.536	2.008
Rank	2	1

Interpretation

This ratio measures the efficiency of all employees of the bank in generating business for the bank. The average Business Per Employee of Indian bank is 18.522 more efficient in generating business for the bank as compared to SBI 22.108.

4. Earning Quality

1. Percentage Change in Net Profit

Year	% Change in Net Profit	
	SBI	Indian bank
2022	55.19	31.29
2021	40.88	298.84
2020	1580.31	133.99
2019	-113.17	-74.43
2018	-162.45	-10.44
Average	280.152	75.85
Rank	1	2

Interpretation

It shows the percentage change in Net Profit from last year. The average percentage change in net profit of INDIAN bank is 75.85% while that of SBI stands at 280.152%.

5. Liquidity Ratios

1. Liquid Assets to Demand Deposits Ratio

Year	Liquid Assets to D. Deposits	
	SBI	Indian Bank
2022	7.78	6.99
2021	6.72	7.19

2020	6.46	7.07
2019	6.47	6.44
2018	7.22	6.55
Average	6.93	6.848
Rank	1	2

Interpretation

This ratio is useful for measuring the bank's ability to meet the demand from depositors in a particular year. The bank needs to invest its fund in high-liquid securities so that it can provide higher liquidity to depositors. The average Liquid Asset to Demand Deposits ratio of SBI bank is 6.93% which is higher than that of INDIAN bank at 6.848%.

2. Liquid Assets to Total Assets Ratio

Year	Liquid Assets to tot. Assets	
	SBI	Indian Bank
2022	7.44	11.86
2021	7.17	8.16
2020	6.05	4.49
2019	5.79	7.14
2018	5.4	5.11
Average	6.37	7.352
Rank	2	1

Interpretation

This ratio is over all measuring the over all liquidity position of the bank. The Liquid Asset to Total Asset ratio of INDIAN bank is 7.35 % which is higher than that of SBI at 6.37%.

6. Sensitivity Ratio

1. Interest Spread Ratio

Year	Interest Spread Ratio	
	SBI	Indian Bank
2022	6.62	6.36
2021	7.06	6.62
2020	6.59	5.91
2019	6.45	5.80
2018	6.65	6.17
Average	6.674	6.172
Rank	1	2

Interpretation

In the context of banking, the term "Spread" means the difference amount between the interest earned on loans and interest paid on deposits. The average Interest Spread Ratio of SBI is 6.674% which is higher than that of INDIAN bank at 6.172%.

Findings

- The average capital adequacy ratio of both banks SBI & INDIAN bank is higher than the threshold limit. However, the capital adequacy ratio of INDIAN Bank is 14.42% which is higher than SBI's 13.19%.
- Advance to Asset Ratio helps in determining the aggressiveness of a bank in lending. This aggressiveness eventually increases the bank's profitability. The average Total Advances to Total Assets Ratio of INDIAN bank stands at 61.21% which is higher than that of SBI which stands at 56.67%.
- This ratio measures the quality of assets and it measures the bank's efficiency in assessing credit risk. The average net NAPs to Total Assets of SBI stands at about 1.54 % while that INDIAN bank stands at about 2.008%. This shows the quality of advances of SBI is better than that of INDIAN bank.
- This ratio helps in determining the level up to which the bank can deploy its assets in investment as against advances. The average Total Investment to Total Assets ratio of INDIAN bank stands at about 26.51% which is slightly lower as compared to SBI's 28.59%.
- This ratio measures the efficiency of all employees of the bank in generating business for the bank. The average Business Per Employee of INDIAN bank is 18.522 more efficient in generating business for the bank as compared to SBI 22.108.
- It shows the percentage change in Net Profit from last year. The average percentage change in net profit of INDIAN bank is 75.85% while that of SBI stands at 280.152%.
- This ratio is useful for measuring the bank's ability to meet the demand from depositors in a particular year. The bank needs to invest its fund in high-liquid securities so that it can provide higher liquidity to depositors. The average Liquid Asset to Demand Deposits ratio of SBI bank is 6.93% which is higher than that of INDIAN bank at 6.848%.
- This ratio is over all measuring the over all liquidity position of the bank. The Liquid Asset to Total Asset ratio of INDIAN bank is 7.35% which is higher than that of SBI at 6.37%.
- In the context of banking, the term "Spread" means the difference amount between the interest earned on loans and interest paid on deposits. The average Interest Spread Ratio of SBI is 6.674% which is higher than that of INDIAN bank at 6.172%.

Suggestions

- To enhance the growth of the banking sector and the growth of the Indian banking economy.
- As it's a Public Sector that changes what has been implicated by the government, the bank has to adopt.

Conclusion

A Comparative Study on the Financial Performance of SBI and INDIAN banks using the "CAMELS" Model has been undertaken to compare and evaluate the financial performance of SBI and INDIAN banks. The area of study is Banking Industry. The bank was chosen from Public Sector. The tools used for analysis are CAMELS model components to compare and evaluate the financial performance of the banks. Analysis of the study was undertaken with the help of secondary data which is collected from the official websites of banks, Bombay Stock Exchange, National Stock Exchange & Money Control App. The study finds that component is useful for determining surplus earned by employees on an individual basis and also measuring the efficiency of employees at the branch level. The Average Return On Net Worth of INDIAN Bank is significantly higher than that of SBI. The INDIAN bank can earn a profit on its Average Assets as compared to SBI. As a result, based on the CAMELS model, the overall financial performance of INDIAN Bank has been good compared with SBI in all aspects during the research period.

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