



# Performance Evaluation of Indian Banking Analysis

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## Abstract:

*The purpose of the study was to understand the extent of relationship between banking financial position in Indian economy. Now a day banking sector is playing vital role in Indian economy. but some parameter is decided for to check different method camel is one of the more popular model of compare to banks financial position. in this model use different kind of ratio which is direct effect on bank outcome. We can take decision for trying to get best result of bank. here we have to find out ratio and given the rank through bank performance ratio. Today banking sector have facing NPA problem and this is major impact on bank performance and annual result.*

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**Keywords:** Banking, Banking analysis, Evaluation of Performance

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## 1. Introduction

My research study is based on “The Innovative services which are provided by the Banks in India & Banking Analysis by using CAMELS model.” The study is mainly done on the comparison of the Innovative Services and performance evaluation of the banks. The main research problem is “Which banks are performing better”

## 2. Research Objectives

1. Different Innovative Services provided by Public Sector Banks and Private Sector Banks & Co-operative banks.
2. Comparison of Innovative Services Provided by Indian Banks to each other.
3. Performance Evaluation of this Banks is done by using different Ratio.

## 3. Limitations of the Study

1. The project contains secondary data so the analysis is done on the basis data provided by the sources.
2. The other limitation is lack of time

## 4. Research Methodology

The Researcher has used camel model with public, private bank and find out ratio which related to camel model and finally given rank

## 5. Sample of the study

These banks were used for CAMELS analysis:

Public Sector Banks	Private Sector Banks
Bank of Baroda	Axis Bank
State bank of India	HDFC Bank
Bank of India	-----

## 6. Ratio analysis

### 6.1 Capital Ratios

Bank	Capital adequacy ratio	Debt Equity Ratio	Advances -assets ratio	Securities – Total Investment	
Bank of India	13.0	14.7	63.37	82.09	
SBI	14.3	13.73	56.25	120.37	
Axis bank	13.7	12.48	55.20	59.54	
Bank of Baroda	14.8	15.42	63.31	78.66	
HDFC	15.7	9.66	53.95	88.67	
<b>Total</b>					
<b>Weightage</b>	<b>0.5</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>1.0</b>
Bank of India	6.5	4.41	6.33	8.20	<b>25.44</b>
SBI	7.15	4.11	5.62	12.03	<b>28.91</b>
Axis Bank	6.85	3.74	5.52	5.95	<b>22.06</b>
Bank of Baroda	7.4	4.62	6.33	7.86	<b>26.21</b>
HDFC	7.85	2.89	5.39	8.86	<b>24.99</b>

### Interpretation

1. As per the capital adequacy ratio the minimum ratio is 9%.i.e every bank has to maintain with RBI. Here HDFC outstands from the other banks
2. Advances to asset ratios show how efficient capital is managed, so here we have BANK OF INDIA at the top position.
3. Security to total investment shows the quick fund of the bank, which can be in cashed at any point of time. Here State bank of India has the highest ratio.

### Capital ratio for BOB & SBI show following characteristics

1. Capital levels exceed all regulatory requirements.
2. Strong earnings performance.
3. Well-managed and controlled growth.
4. Competent management able to analyze the risk associated with the activities in determining appropriate capital levels.
5. Reasonable dividends and ability to raise new capitals.

### Capital ratio for BOI & HDFC show following characteristics

Capital and solvency ratios exceed regulatory requirements, but:

1. Problem assets relatively high.
2. Management inability to maintain sufficient capital to support risks

### Capital ratio for AXIS BANK

1. High level of problem assets in excess of 25% of total capital.
2. Bank fails to comply with regulatory regulations Poor earnings.
3. Inability to raise new capital to meet regulatory requirements and correct deficiency
4. It requires regulatory oversight to ensure management and shareholders address the issues of concern

## 6.2 Asset Ratios

Bank	Gross NPA Net Advances	Net NPA- Net Advances	Total Loans Total Asset	Market value Book value	
Bank of India	1.1	0.4	63.37	98.04	
SBI	1.6	1.8	56.25	137.41	
Axis bank	0.6	0.4	55.20	145.86	
Bank of Baroda	0.8	0.3	63.31	66.69	
HDFC	1.1	0.6	53.95	281.03	
<b>Total</b>					
<b>Weightage</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>
Bank of India	0.11	0.2	12.67	19.60	<b>32.58</b>
SBI	0.16	0.9	11.25	27.48	<b>39.79</b>
Axis bank	0.06	0.2	11.04	29.17	<b>40.47</b>
Bank of Baroda	0.08	0.15	12.66	13.33	<b>26.22</b>
HDFC	0.11	0.3	10.79	56.20	<b>67.4</b>

### Interpretation

1. The loan to assets ratio measures the total loans outstanding as a percentage of total assets. The higher this ratio indicates a bank is loaned up and its liquidity is low. The higher the ratio, the more risky a bank may be to higher defaults. Here the ratio for all the banks is almost same. But the position of HDFC is better than others with having least value of 53.95.
2. Market value ratios are strong indicators of what investors think of the firm's past Performance and future prospects. It basically shows Goodwill or Reputation of the bank in the market. Here HDFC Bank is highly reputed in the minds of investors. Means private banks are having good reputation in the market.

#### 6.2.1 Assets quality of HDFC BANK

1. Past due and extended loans kept under control by a specific unit, in accordance with the Concentrations of credits and loans to insiders provide minimum risk.
2. Efficient loan portfolio management, close monitoring of problem.

#### 6.2.2 Asset quality of SBI and BOI

1. There are weaknesses in the management underwriting standards and control procedures
2. Loans to insider pose some regulatory concern, but can be easily corrected
3. Return on non credit assets is low and they display more than normal risk without posing a threat of loss

#### 6.2.3 Asset quality of AXIS BANK and BOB

1. Bank is experiencing high level of past due and rescheduled credits.
2. Poor underwriting standards.
3. Policies and procedures are not properly implemented.
4. Inappropriate loans to insiders.
5. Non credit assets display abnormal risks and may pose a threat of loss.

### 6.3 Management Ratios

Bank	Market values -equity capital	Total advances total deposits		Business per employee	Profit per employee		
Bank of India	22	74.56		10.11	.04		
SBI	106	73.1		5.56	.05		
Axis bank	41.5	69.48		10.60	.1		
Bank of Baroda	23.5	74.8		9.14	.06		
HDFC	96.8	41.23		4.46	.04		
			<b>Total</b>			<b>Total</b>	<b>%</b>
<b>Weightage</b>	<b>0.25</b>	<b>0.25</b>		<b>0.25</b>	<b>0.25</b>		
Bank of India	5.5	18.62	<b>24.12</b>	2.52	.01	<b>2.53</b>	<b>25.04</b>
SBI	26.5	18.27	<b>44.77</b>	1.39	.012	<b>1.40</b>	<b>13.98</b>
Axis bank	10.37	17.37	<b>27.74</b>	2.65	.02	<b>2.67</b>	<b>26.67</b>
Bank of Baroda	5.87	18.7	<b>24.57</b>	2.28	.015	<b>2.29</b>	<b>22.87</b>
HDFC	24.2	10.30	<b>34.5</b>	1.11	.01	<b>1.12</b>	<b>11.18</b>
						<b>10.01</b>	<b>100</b>

### Interpretation

1. Business per employee/ profit per employee, These ratios indicate the productivity level of the bank's employees. Since state run banks are operating with large employee base, the productivity ratio for these banks lags behind when compared with new generation private sector banks. Here AXIS bank has ratio of 10.6 Crores leading BOI having 10.11 Crores of business.
2. Market Value to equity Capital This Ratio indicates the price of the shares in the market compared to the actually face value of the shares. It shows the premium on each share people are ready to pay because of the reputation and value of the company. Here, SBI is having almost 106 times the market value whereas BOI is having only 22 times which is lowest of all five banks.
3. Total Advances to Total Deposits It indicates Money Lend by the Bank compared to Money borrowed by the bank. Higher the ratio indicates the Efficiency of the Bank. BOB is having 74.8% whereas HDFC is having only 42%.
4. Over all if we compare Management Ratio, AXIS bank is on the top Position where as BOI is in second position. There is very Minor difference between the two banks. They are well performing in Profit per employee and Business per employee.
5. In PSUS, BOI is better than all other banks.

### 6.4 Earnings Ratios

Bank	Operating profit-AVG working fund	Interest Spread	Net Profit – AVG Asset	Interest income total income	
Bank of India	2.7	66.36	1.4	84.2	
SBI	2.1	67.27	1.08	83.4	
Axis bank	3.0	65.98	1.41	78.9	
Bank of Baroda	2.2	66.05	1.09	84.5	
HDFC	2.9	54.56	1.41	82.47	
					<b>Total</b>

Weightage	.25	.25	.25	.25	
Bank of India	.67	16.59	.35	21.05	<b>38.66</b>
SBI	.52	16.81	.27	20.85	<b>38.45</b>
Axis bank	.75	16.49	.35	19.72	<b>37.35</b>
Bank of Baroda	.55	16.51	.27	21.12	<b>38.45</b>
HDFC	.72	13.64	.35	20.61	<b>35.32</b>

### Interpretation

1. Operating profit to Average Working Funds shows the return on working funds. Higher the ratio indicates the profitability of the bank. Here AXIS BANK is having 3.0 %, where as its peers are having lower than it has. So AXIS Bank is more profit making Bank.
2. Higher the Interest spread will be better for the bank as it shows the better offering of bank in the market. Here SBI has the highest Interest Spread as compared to its peers.
3. Net Profit to Average Assets shows return on assets of the banks. Higher the return, better for the bank. Here HDFC bank and AXIS BANK is having highest return on the assets.
4. The main income of any bank is interest. This ratio shows the percentage of income generated in bank through Interest. Here BOB is having 84.5 % of income through interest followed by BOI, SBI and HDFC.
5. Here overall BOI is performing well in earnings ratio and it is leading as compared to its competitors.
6. If we compare only private banks then AXIS Bank is well performing than the HDFC Bank.

### 6.5 Liquidity Ratios

Bank	Liquidity Asset - Total Asset	Govt Security -Total Assets	Approved Securities -Total Assets	Liquid Asset - demand deposit	Liquid Asset - Total Deposit	
Bank of India	9.65	18	.29	172	9.47	
SBI	10.82	23.4	.19	94.2	14.06	
Axis bank	10.16	18.6	00	60.4	12.79	
Bank of Baroda	10.59	17.6	.42	166	12.51	
HDFC	9.55	28.4	.42	61.5	1.22	
						<b>Total</b>
Weightage	.2	.2	.2	.2	.2	
Bank of India	1.93	3.77	.05	34.4	1.89	<b>42.04</b>
SBI	2.16	4.68	.03	18.84	2.81	<b>28.52</b>
Axis bank	2.03	3.72	00	12.08	2.55	<b>20.38</b>
Bank of Baroda	2.11	3.52	.084	33.2	2.5	<b>41.41</b>
HDFC	1.91	5.68	.084	12.3	.24	<b>20.21</b>

### Interpretation

1. Liquid Assets to Total Assets ratio shows the percentage of liquid assets out of the total assets. Higher the ratio indicates better liquidity of the bank. Here BOI is having better liquidity as compared to other banks.
2. Government securities are considered to be the quick assets of the bank which can be in cashed easily. Here, HDFC bank is having 28.4% of the assets as government securities and is the highest among others.
3. Same as government securities, approved securities also can be in cashed easily. Here BOB and HDFC is having highest approved securities. AXIS Bank is not having any approved securities.

4. Liquid Assets to Total Deposits ratio indicates the Percentage of liquid assets bank against deposits. Here Bank of Baroda is having the highest ratio i.e. 166% as compared to its competitors. So it shows that it is having an ample amount of liquidity to pay the deposits.
5. Overall, Bank of India is performing well i.e. 42.04% followed by its peers i.e. BOB- 41.41%, AXIS Bank- 20.38% and HDFC Bank -20.21%.

### 6.6 Camel Rating

Bank	Capital	Assets	Management	Earning	Liquidity		
Bank of India	25.44	32.58	49.16	38.66	42.04		
SBI	28.91	39.79	58.75	38.45	28.52		
Axis bank	22.06	40.47	54.41	37.35	20.38		
Bank of Baroda	26.21	26.22	47.44	38.45	41.41		
HDFC	24.99	67.4	45.68	35.32	20.21		
						<b>Total</b>	<b>Rank</b>
<b>Weightage</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>1.0</b>	
Bank of India	5.08	6.51	9.83	7.73	8.40	<b>37.55</b>	<b>3</b>
SBI	5.78	7.95	11.75	7.69	5.7	<b>38.87</b>	<b>1</b>
Axis bank	4.41	8.09	10.88	7.45	4.07	<b>34.9</b>	<b>5</b>
Bank of Baroda	5.24	5.24	9.48	7.69	8.28	<b>35.93</b>	<b>4</b>
HDFC	4.99	13.48	9.13	7.06	4.04	<b>38.7</b>	<b>2</b>

**Rank 1:** Here SBI indicates strong performance and risk management practices that consistently provide for safe and sound operations. The historical trend and projections for key performance measures are consistently positive. It is not performing well in Liquidity ratio but it performs strong in other ratios, which covered up its weak performing area any weaknesses can be handled routinely by the board of directors and management. Banks are considered stable, well managed and capable of withstanding all but the most severe economic downturns. Risk management practices are strong and minimal supervisory oversight is required to ensure the continuation and validation of the bank's fundamental

**Rank 2:** Here HDFC reflects satisfactory performance and risk management practices that consistently provide for safe and sound operations. It maintains very well in management and assets ratio, which has become its strength. In order to lead, it should focus more on liquidity. Bank with a good composite rating and is in substantial compliance with laws and regulations. Only moderate weaknesses are present and well within the capabilities of the board of directors' and management's capability and willingness to correct. HDFC bank is stable and can withstand most economic downturns. Overall risk management practices are satisfactory and there are not material supervisory concerns.

**Rank 3:** BANK OF INDIA represents performance that is flawed to some degree and is of supervisory concern. Performance is marginal. Risk management practices are satisfactory. In order to improve their position, it should maintain the management and Assets ratio so that it will be able to compete with their competitors.

**Rank 4:** BOB Bank refers to poor performance that is of serious supervisory concern. Risk management practices are generally unacceptable and the Bank should try to improve its operations. It is performing Good in Earnings but Management and Liquidity of the bank is not up to the mark and should give more importance to these factors in order to be at the par with other banks.

**Rank 5:** AXIS Bank is showing the worst condition in comparison to others banks. Problem of liquidity exists in the bank which management has to take care. Banks has weaknesses in one or more component areas that if not corrected within a reasonable time frame could result in significant solvency or liquidity concerns. Management may lack the ability or willingness to effectively address weaknesses in a timely manner and Axis bank generally are less capable of withstanding business fluctuation and are vulnerable to outside influences. Risk management

practices may be less than satisfactory and banks in this group may be in significant noncompliance with laws and regulations.

## 7. Conclusion

The current Banking Crisis, which is quite unprecedented, underlines the importance of regulatory issues and the effects of incompetence in this area. CAMEL, as a rating system for judging the soundness of Banks is a quite useful tool that can help in mitigating the conditions and risks that lead to Bank failures. The report makes an attempt to examine and compare the performance of four different banks of India i.e. BOI, SBI, HDFC, Bank of Baroda, AXIS bank. The analysis is based on the CAMEL Model. After evaluating all the ratios, calculations and ratings we have given 1st Rank to State bank Of India, 2nd Rank to HDFC, 3rd Rank to Bank of India, and 4th to Bank of Baroda, 5th rank to Axis Bank. Although SBI (1st rank) is leading the banking sector a tough competition is given by HDFC bank (2nd rank) indicating rapid growth in private banking sector. So, Bank of India need to take corrective actions regarding CAMEL factors as mentioned in recommendation to improve its ranking.

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