

## PERFORMANCE EVALUATION OF THE STATE BANK OF INDIA THROUGH CAMEL ANALYSIS

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### **Abstract**

*CAMEL method is widely using and popular technique to measure the overall performance of an organization including banking sector. It is used to assess the function or operation wise efficiency of the banks performance. Therefore, present study made an attempt to measure the overall performance of the SBI for the period of five years (2021-2025) through using CAMEL technique. The study found that, SBI has strong capital adequacy during the study period in all four parameters. The assets quality of the SBI improved significantly during the study period due to decreased NPAs. The management efficiency of the SBI also increased in all four parameters. Earning quality increased significantly in three parameters but net interest margin declined which should be focused by the company. The liquidity of the bank also improved significant during the study period.*

**Key Words: Camel, Sbi And Financial Performance.**

### **Introduction**

The Indian banking industry is expanding more quickly, and it is also looking to the capital market for additional funding to further its growth. The banking industry serves a diverse clientele with a broad range of services. Since it provides loans to nearly every industry, it is seen as a vital component of the Indian economy, and the economy is impacted by the banking sector's success. The banking industry is seen as a gauge of the economy that represents macroeconomic factors. By establishing a new kind of bank in our nation in 2015, the RBI started a financial inclusion program. On September 17, 2015, the RBI granted ten businesses a provisional license to function as small finance banks in India. In order to achieve the goals for which it was established, the small finance bank will mainly engage in basic banking operations, such as accepting deposits and making loans to underserved and un-served groups, such as small business units, small and marginal farmers, micro and small industries, and unorganized sector entities. Small finance banks are those that offer services to unorganized sectors, small business units, small and marginal farmers, small-scale businesses, and other underserved segments of society that are not catered to by Scheduled Commercial Banks and Non-Banking Financial Institutions. Capital Adequacy, Asset Quality, Management Competence, Earning Quality, and Liquidity are the acronyms for CAMEL. The aforementioned five parameters are used in this model to measure the organization's performance, which facilitates the analysis of the organization's performance from many angles. It is a ratio-based model for evaluating bank performance. Using a five-parameter rating system, camel models assist in evaluating the banks' performance.

### **Review of Literature**

The CAMEL model has demonstrated efficacy in assessing and forecasting future performance in addition to relative risk. From an accounting perspective, it is also a useful, accurate, and efficient instrument for regulating, managing, and making decisions [1]. Prior to the CAMEL model, bank regulatory bodies suggested the Uniform Financial Institutions Rating System (UFIRS), which has been in use since 1979. The Basel Committee on Banking Supervision of the BIS created and suggested the CAMELS framework for evaluating financial institutions' performance in 1988 [2]. Through the use of banking regulators, the CAMELS Models become an important global bank rating system. Six criteria, including capital sufficiency,

asset quality, management soundness, earnings and profitability, liquidity, and sensitivity (added in 1997), were used to assign ratings in this approach [3]. A study [14] examined the effects of M&A at Bank of Baroda, Dena Bank, and Vijaya Bank and found that while there are a number of obstacles to achieving the goals of M&A, it undoubtedly creates significant value for all parties involved.

[5] used the EAGLE Model to compare the performance of a small number of public and private sector banks and found that private sector banks are more efficient than public sector banks. [6] used both models to analyze the performance of conventional and Islamic banking before and during the pandemic and discovered that Islamic banking was more stable than conventional banking in terms of asset growth, third-party funding, and financing development. [7] examined the performance of Indian banks, both public and private, and found that SBI and BOB outperformed ICICI and Axis banks between 2009 and 2014. A study investigated how M&A affected the financial standing of PRVU Bank Limited and Bank of Kathmandu (BOKL) in Nepal both before and after the M&A. The analysis found that the merging bank's profitability and liquidity had significantly improved, but no other notable changes had occurred. [8] used the EAGLE model to examine the UBI's pre- and post-merger behavior from 2017 to 2023 and found that lower non-performing assets (NPAs) enhanced asset quality and increased profits potential. [9] also concentrated on using the EAGLE model to assess Canara Bank's post-merger performance from 2017 to 2024. Significant improvements in the growth of advances, deposits, ROA, EPS, and asset quality throughout the post-merger period were discovered by the study(10).

### **Need of The Study**

The measurement of financial performance of banks is very important to understand the overall efficiency and stability of the banking system in India. The present study focuses on this aspect by analysing the financial performance of selected public banks for a period of five years from 2020–2025 using CAMEL model. The study helps to find out the financial health of the Banks and evaluating the strengths and weaknesses of banks in terms of liquidity, profitability, asset quality, management efficiency and overall performance.

### **Objectives of The Study**

1. To analyse the financial performance of SBI bank.in India for the period 2020–2025 by using CAMELs model.
2. To examine the Capital Adequacy Ratio of the SBI bank.
3. To examine the Assets Quality AspectRatio of the selected banks.
4. To examine the Management Efficiency Aspect Ratioof the SBI bank.
5. To examine the Earning quality aspect Ratio of the SBI bank.
6. To examine the Liquidity Aspect Ratio of the SBI bank.

### **Research Methodology**

Present study is purely based on the secondary data computed on the data collected from the company annual reports for the period of 2020-21 to 2024-25 which is five years study period. The study selected State Bank of India as sample units in the study by purposive sampling technique method. Present study analyzed the performance of selected Bank for the period of 2020-2025 i.e. total five years of financial performance is measured with CAMEL method. The study used ratios techniques and averages and %ages. The research variables are discussed in the next session.

### Research Variables

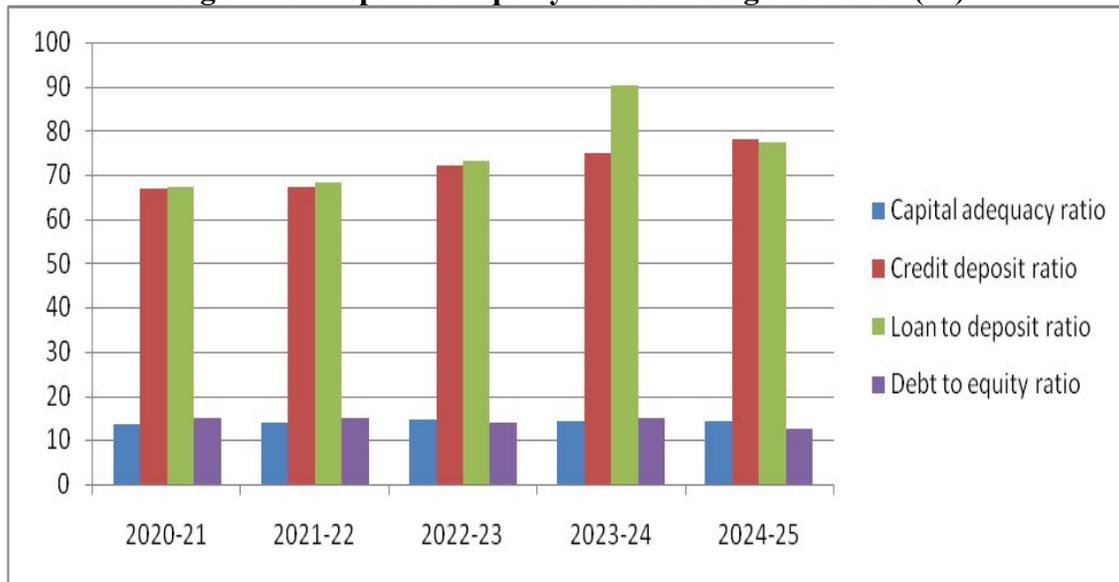
1. Capital Adequacy Ratio: Capital adequacy ratio, Credit deposit ratio, Loan to deposit ratio and Debt to equity ratio.
2. Assets Quality Aspect: Net NPA to net advances ratio, Net NPA to total assets ratio, and Total investments to total assets ratio.
3. Management Efficiency Aspect: Business per employee ratio, Profit per employee ratio, Credit deposit ratio and Return on net worth (or return on equity) ratio.
4. Earning quality aspect: Return on assets (ROA) ratio, Net interest margin to total assets ratio, Operating profit to total assets ratio and Interest income to total income ratio.
5. Liquidity Aspect: Current ratio and Quick ratio.

### Data Analysis And Interpretation

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Capital adequacy ratio	13.74	13.83	14.68	14.28	14.25	<b>14.16</b>
02	Credit deposit ratio	67.0	67.12	72.0	75	78.1	71.82
03	Loan to deposit ratio	67.3	68.4	73.13	90.32	77.31	75.292
04	Debt to equity ratio	15.06	14.85	13.9	15.06	12.42	<b>14.258</b>

Source: Company Annual Reports & Money control

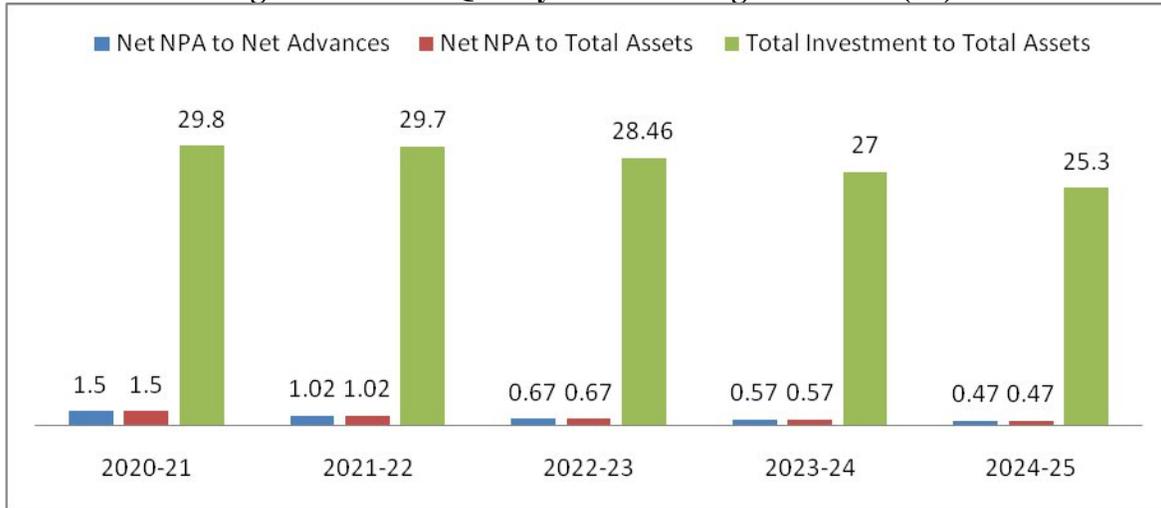
**Figure 01: Capital Adequacy of SBI during 2021-2025 (%)**



Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Net NPA to Net Advances	1.50	1.02	0.67	0.57	0.47	0.846
02	Net NPA to Total Assets	1.50	1.02	0.67	0.57	0.47	<b>0.846</b>
03	Total Investment to Total Assets	29.8	29.7	28.46	27.0	25.3	<b>28.052</b>

Source: Company Annual Reports & Money control

**Figure 02: Asset Quality of SBI during 2021-2025 (%)**



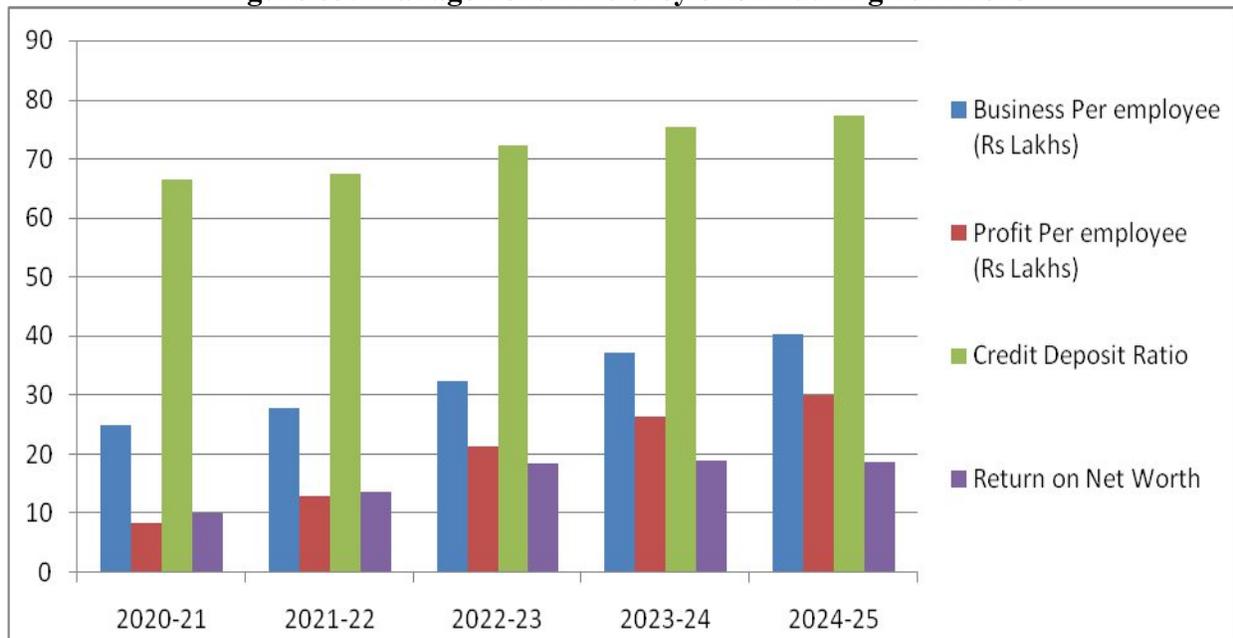
**Management Efficiency Ratio**

**Table 03: Management Efficiency of SBI during 2021-2025 (%)**

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Business Per employee (Rs Lakhs)	24.96	27.78	32.32	37.11	40.41	<b>32.51</b>
02	Profit Per employee (Rs Lakhs)	8.31	12.97	21.30	26.29	30.01	<b>19.77</b>
03	Credit Deposit Ratio	66.54	67.48	72.32	75.34	77.35	<b>71.80</b>
04	Return on Net Worth	10.13	13.61	18.44	18.97	18.66	<b>15.96</b>

Source: Company Annual Reports & Money control

**Figure 03: Management Efficiency of SBI during 2021-2025**



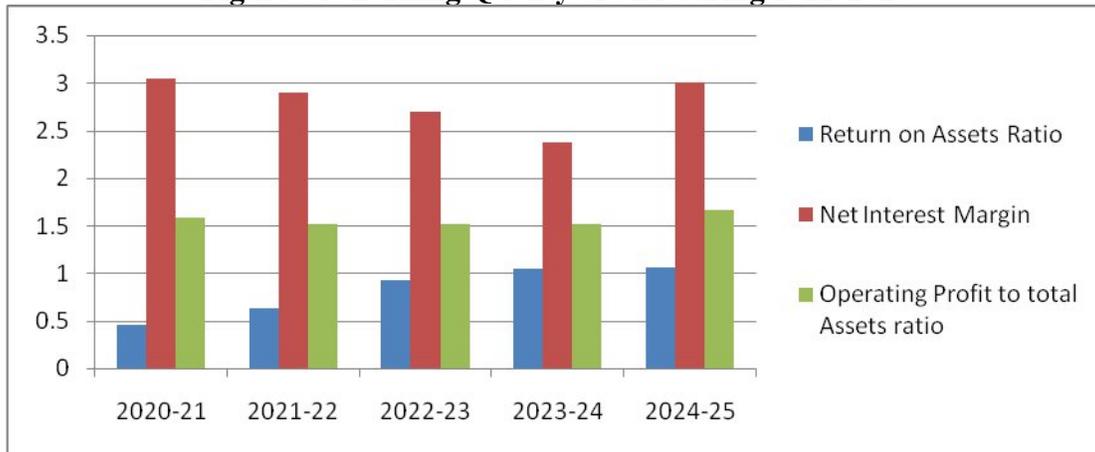
### Earnings Quality Ratio

**Table 04: Earning Quality of SBI during 2021-2025 (%)**

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Return on Assets Ratio	0.46	0.63	0.93	1.04	1.06	<b>0.82</b>
02	Net Interest Margin	3.04	2.9	2.7	2.37	3.0	<b>2.80</b>
03	Operating Profit to total Assets ratio	1.58	1.51	1.52	1.52	1.66	<b>1.55</b>
04	Interest income to total income ratio	85.9	87.2	90.1	88.9	88.2	<b>88.06</b>

Source: Company Annual Reports & Money control

**Figure 04: Earning Quality of SBI during 2021-2025**



### Liquidity Ratio

**Table 05: Liquidity of SBI during 2021-2025 (%)**

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Current ratio	<b>0.08</b>	<b>0.08</b>	<b>1.05</b>	<b>0.05</b>	<b>1.15</b>	<b>0.48</b>
02	Quick ratio	16.56	14.49	14.11	15.17	16.70	<b>15.4</b>

Source: Company Annual Reports & Money control

### Findings of The Study

1. **Capital Adequacy:** SBI Bank Capital Adequacy ratio is 13.74 % in 2020-21 slightly increased to 13.83 % in 2021-22 followed by 14.68 % in 2022-23, 14.28 % in 2023-24 and 14.25 % in 2024-25. SBI Bank Credit deposit ratio is 67 % in 2020-21 is remained constant 67 % in 2021-22 followed by 72 % in 2022-23, 75 % in 2023-24 and 78.1 % in 2024-25. SBI Bank Loan to Deposit Ratio is 67.3 % in 2020-21 is slightly increased to 68.4 % in 2021-22 followed by 73.13 % in 2022-23, 90.32 % in 2023-24 and 77.31 % in 2024-25. SBI Bank Debt to Equity Ratios is 15.06 % in 2020-21 slightly decreased to 14.85 % in 2021-22 followed by 13.9 % in 2022-23, 15.06 % in 2023-24 and 12.42 % in 2024-25.
2. **Asset Quality:** SBI Bank Net NPA to Net advances Ratio is 1.50 % in 2020-21 slightly decreased to 1.02 % in 2021-22 followed by 0.67 % in 2022-23, 0.57 % in 2023-24 and 0.47 % in 2024-25. SBI Bank Net NPA to Total Assets Ratio is 1.50 % in 2020-21 is decreased to 1.02 % in 2021-22 followed by 0.67 % in 2022-23, 0.57 % in 2023-24 and 0.47 % in 2024-25. SBI Bank Total Investments to Total Assets Ratio is 29.8 % in 2020-21 is slightly decreased to 29.7 % in 2021-22 followed by 28.46 % in 2022-23, 27.0 % in 2023-24 and 25.3 % in 2024-25.

3. **Management Efficiency:** It is a productivity measure which shows the average amount of business handled by each employee of the bank. Here, business generally means the sum of deposits and advances. A higher ratio indicates better utilization of human resources and greater operational efficiency. SBI Bank Business per Employee Ratio is 24.96 % in 2020-21 is increased to 27.78 % in 2021-22 followed by 32.32 % in 2022-23, 37.11 % in 2023-24 and 40.41 % in 2024-25. SBI Bank Profit per Employee Ratio is 8.31 % in 2020-21 is increased to 12.97 % in 2021-22 followed by 21.30 % in 2022-23, 26.29 % in 2023-24 and 30.01 % in 2024-25. SBI Bank Credit Deposit Ratio is 66.54 % in 2020-21 is slightly increased to 67.48 % in 2021-22 followed by 72.32 % in 2022-23, 75.34 % in 2023-24 and 77.35 % in 2024-25. SBI Bank Return on Net Worth Ratio is 10.13 % in 2020-21 is increased to 13.61 % in 2021-22 followed by 18.44 % in 2022-23, 18.97 % in 2023-24 and 18.66 % in 2024-25.
4. **Earning Quality Aspect:** SBI Bank Return on Assets Ratio is 0.46 % in 2020-21 is slightly increased to 0.63 % in 2021-22 followed by 0.93 % in 2022-23, 1.04 % in 2023-24 and 1.06 % in 2024-25. SBI Bank Net Interest Margin to Total Assets Ratio is 3.04 % in 2020-21 is slightly decreased to 2.9 % in 2021-22 followed by 2.7 % in 2022-23, 2.37 % in 2023-24 and 3.0 % in 2024-25. SBI Bank Operating Profit to Total Asset Ratio is 1.58 % in 2020-21 is slightly decreased to 1.51 % in 2021-22 followed by 1.52 % in 2022-23, 1.52 % in 2023-24 and 1.66 % in 2024-25. SBI Bank Interest Income to Total Income Ratio is 85.9 % in 2020-21 is increased to 87.2 % in 2021-22 followed by 90.1 % in 2022-23, 88.9 % in 2023-24 and 88.2 % in 2024-25.
5. **Liquidity Aspect:** SBI Bank Current Ratio is 0.08 % in 2020-21 is remained constant at 0.08 % in 2021-22 followed by 1.05 % in 2022-23, 0.05 % in 2023-24 and 1.15 % in 2024-25. SBI Bank Quick Ratio is 16.56 % in 2020-21 is slightly decreased to 14.49 % in 2021-22 followed by 14.11 % in 2022-23, 15.17% in 2023-24 and 16.70 % in 2024-25. The average current ratio was 0.48 % and quick ratio is 15.40 % during the study period

## Conclusion

Evaluation of the bank performance is very challenges task in banking sector . This was simplified with CAMEL method is widely using and popular technique to measure the overall performance of an organization including banking sector. It is used to assess the function or operation wise efficiency of the banks performance. Therefore, present study made an attempt to measure the overall performance of the SBI for the period of five years (2021-2025) through using CAMEL technique. The study found that, SBI has strong capital adequacy during the study period in all four parameters. The assets quality of the SBI improved significantly during the study period due to decreased NPAs. The management efficiency of the SBI also increased in all four parameters. Earning quality increased significantly in three parameters but net interest margin declined which should be focused by the company. The liquidity of the bank also improved significant during the study period.

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