Financial Performance Analysis using CAMEL Model with Special reference to Listed Small Finance Banks in India

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Abstract

Banking sector plays a imperative part for the improvement of Indian economy. Over the past few a long time managing an account industry has gone through numerous changes. Little Fund Banks are later keeping money activity of Save Bank of India towards advancement of budgetary consideration in India. The small finance banks in India play a unmistakable part as these banks give administrations to the monetarily unincluded population. These banks give fundamental administrations to the small-scale farmer and miniaturized scale and small-scale businesses. These banks will offer assistance in boosting the economy of the nation as they give administrations to major population of the nation. The consider is related to a period of five a long time from monetary year 2017-2018 to 2021-2022. The study contains an appraisal of the execution of SFBs utilizing CAMEL model. The examination made a difference to measures the execution of banks from each of the vital parameter like Capital Adequacy, asset Quality, Management Productivity, Earning Quality and Liquidity.

Keywords: Banking sector, Small finance banks, Performance Analysis, CAMEL Model.

Introduction

Banking sector in India is developing at a quicker pace and is additionally drawing nearer capital advertise for including more stores to shoot up encourage development within the Banking sector. Banking sector gives a wide extend of administrations to a wide extend of clients. It loans to nearly all sorts of businesses, consequently it is considered as an fundamentally portion of the Indian economy and the execution of Banking sector has an affect on the economy. Banking sector is considered as a barometer of economy which reflects the macroeconomic factors. Within the year 2015, RBI has started a monetary incorporation approach by setting up a diverse sort of bank in our nation. RBI has issued a temporary permit for ten companies on September 17, 2015 to function as small finance bank in India. The small finance bank, in advancement of the destinations for which it is set up, should essentially embrace fundamental keeping money exercises of acknowledgment of stores and loaning to unserved and underserved segments counting small business units, small and negligible farmers, micro scale and small businesses and disorderly division substances. small fund banks are the banks which give administrations to certain revealed section of the society that are not served by Planned Commercial banks and Non-Banking Budgetary Educate, such as small business units, small and minimal farmers, small scale businesses and unfined sectors. These small finance bank plat a crucial role in nation. Graph of economy as the major of population

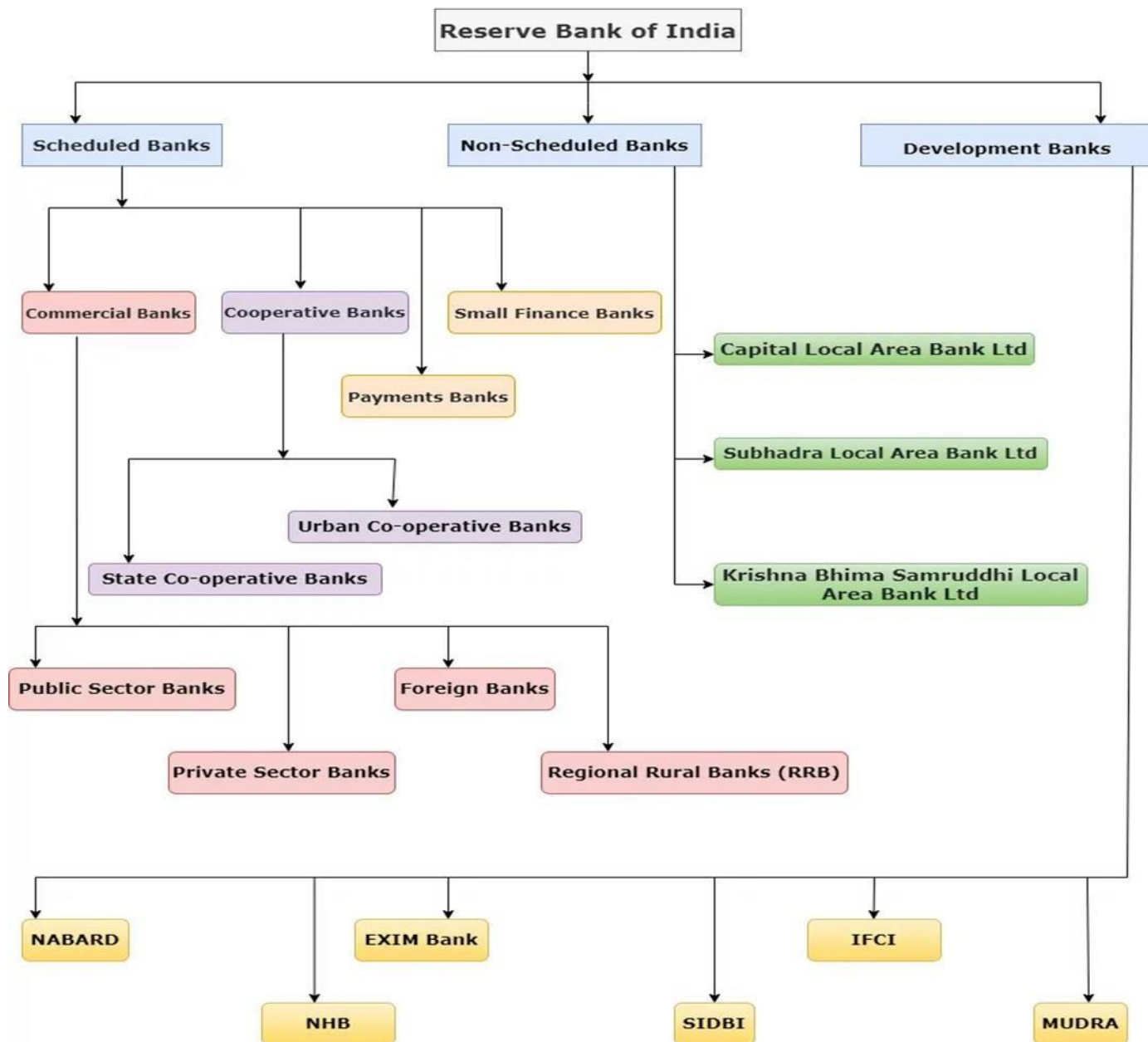have very little income. Structure of Indian banking system.

Figure 1: Reserve Bank of India

CAMEL Model:

CAMEL stands for Capital Adequacy, Asset Quality, Management Competence, Earning Quality, and Liquidity. This demonstrate measures the execution of the organization utilizing the over five parameters which makes a difference in dissecting the organizations execution from diverse point of sees. It may be a ratio-based demonstrate to examine the execution of the banks. Camel models makes a difference to rate the banks execution on a five-parameter scale. Figure 2 represents the CAMEL model

1. Capital Adequacy

It is critical to examine the capital structure of the banks since it is critical to hold certainty of all the financial specialists, and dodge the bank from being wiped out. It too bargains with the capacity of the bank to meet its extra monetary necessities. The taking after proportions are measured to discover the capital ampleness of the banks.
a. Capital adequacy proportion
b. debt value proportion
c. Equity to total assets proportion

2. Asset Quality:

This proportion makes a difference to examine the quality of resources of the banks i.e. what quality of credits are given to earn interest. Quality of credit implies less number of defaulters or non-performing assets. The major point of this proportion is to measure the Non-performing resources as compared to the whole assets. The following ratio are required to measure the resource quality of the banks.
a. Net NPAs to add up to Resource proportion
b. Net NPA to add up to Development proportion
c. Add up to speculation to add up to asset proportion

3. Management Competence:

This proportion measures the competence of administration to earn super returns and to include esteem to the shareholders. It measures the profit on the basis of per worker which makes a difference the administration their commitment to know towards the banks. Administration of a bank plays vital part in making numerous key choices. Subsequently it is critical to degree administration effectiveness. The following ratio are utilized to degree the administration competence.
a. Benefit per worker
b. Business per representative
c. Intrigued salary to add up to progresses proportion

4. Earning Quality:

Because it is vital to measure the profit of the bank made through the assets utilized it is additionally imperative to measure the quality of the profit this implies the consistency of profit over the a long time.
The proportions utilized to degree the gaining quality are
a. Return on resource proportion
b. Return on value proportion
c. Working benefit to total asset ratio

5. Liquidity:

overseeing liquidity may be a big task for the investors as they got to legitimately fence their hazard, earn better returns at the same time keep up liquidity to permit the financial specialists to pull back their ventures at whatever point required. Hence the banks must have a appropriate adjust between liquidity, chance and returns. The following ratio are utilized to degree the liquidity of the banks.

a. Cash to add up to resources

b. Credit to add up to deposits

Literature Review

Purohit and Bothra (2018), The execution of SBI and ICICI Bank was compared utilizing CAMEL parameters in which it was found that ICICI bank should progress its position with respect to capital ampleness and asset quality whereas SBI have to be progress its position with respect to administration effectiveness, gaining quality and liquidity.

Ramya (2017), Dissect the monetary execution of State Bank of India for the study period 2012-2016 through the utilize of CAMEL approach. It was concluded that there's a ought to take vital steps to make strides the position of SBI within the setting of few parameters i.e., debt-equity, working benefit, and non- intrigued wage to add up to wage.

Muralidharan and Lingam (2017), Measured and assessed the budgetary execution of 5 banks from 2007-2016 specifically Bank of Baroda, Punjab National Bank, Central Bank of India, Bank of India and Bank of Maharashtra. They gave positioning to all five banks based on each proportion.

Hoti and Alshiqi (2014), got to dissect the budgetary execution of the Managing an account framework in Kosovo from 20062012 utilizing camel show and by calculating return on speculation. They concluded that they did not discover any importance contrast within the by and large execution of the banks and this thing can as it were happen within the times of worldwide money related emergency which was prior confronted by Kosovo, letting less touchy impact. Most banks were found with wellbeing adjust sheet with a little level of reserves for credits.

Mishra and Aspal (2013), assessed the execution and budgetary soundness of State Bank Gather utilizing CAMEL approach and appraised distinctive banks utilizing through Capital ampleness, Resource quality Administration proficiency, Gaining Quality, and Liquidity.

Priya Ponraj and Gurusamy Rajendran (2012), measured the bank competitiveness among the select Indian commercial banks in terms of monetary quality. Budgetary quality of the bank is measured in terms of budgetary proportions viz. effectiveness proportion, benefit proportion, capital ampleness proportion, income-expenditure proportion, stores and return proportions. It is found that foreign banks are the foremost competitive compared to the private and open segment banks in terms of the productivity proportion, returns proportion and capital ampleness proportion.

Anita Makkar (2013), analyzed comparative examination of the money related execution of Indian commercial banks. The consider concluded that on an average, there's no factually noteworthy distinction within the money related execution of the open and private division banks in India, but still, there is a require for by and large enhancement within the public segment banks to make their position solid within the competitive showcase.

Gazia Jamil Sayed, Najmus Sahar Sayed, comparative Investigation of Four Private Segment Banks as per CAMEL Rating: four private segment banks to be specific Pivot Bank, HDFC Bank, ICICI Bank Ltd. and Kotak Mahindra Bank Ltd. The information utilized within the consider relate to the banks which are among the list of 'Top Ten Banks in India - as per greenworldinvestor.com and ETIG database and are listed on the Bombay Stock Trade (BSE). Each bank was analyzed for three a long time on the premise of CAMELS parameters based on the normal proportions the banks were positioned for execution. The creator proposes various other methods of money related execution can be connected for future investigate.

Mishra and Kumari (2011), chosen 12 open and private division banks on the premise of showcase capture and measured the efficiency and soundness by Camel Show. From the investigation they positioned the banks. They said that HDFC takes the lead taken after by ICICI and Pivot Bank. Bank of Baroda and Punjab National Bank follows the fourth position held by IDBI and Kotak Mahindra Bank. public sector like SBI and Union Bank takes the back situate. It gives that Private Sector Banks are performing superior than Open Sector Bank.

Research methodology

Types of research:
Graphic investigate is been utilized for this ponder it portrays the execution of the chosen little fund banks over the a long time.
Test chosen:
For the reason of this consider CAMEL investigation is done for 4 little back banks. The criteria for selecting these little fund banks are recorded on the National stock trade amid the period of think about. Chosen little fund banks are AU small fund bank, Equitas small bank, Suryoday small bank and Ujjivan small fund bank.
Period of consider:
the ponder is conducted based on the information collected for a period of 5 a long time beging from 2018 - 2022.
Sources of information:
Auxiliary information just like the budgetary explanations of banks was collected through the yearly reports of banks and the Pro Value analyser program
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Data Analysis and Interpretation

1. **Capital Adequacy Ratio (CAR)**

   **Table 1: Capital Adequacy Ratio (CAR)**

Year/Bank	AU	Equitas	Suryoday	Ujjivan
2022	20.9	25.16	37.86	18.99
2021	23.37	24.18	51.47	26.44
2020	21.99	23.61	29.57	28.81
2019	19.31	22.44	35.03	18.94
2018	19.31	29.63	37.94	23.04
Avg.	20.99	25.00	38.37	23.24
Rank	4	2	1	3
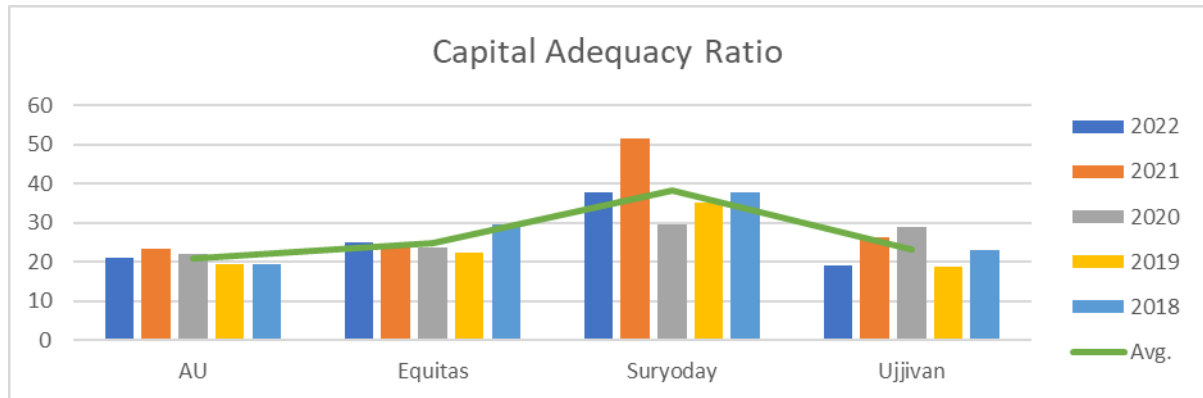
From the above analysis we can observe that Suryoday small finance bank maintained highest capital adequacy ratio followed by Equitas, Ujjivan and AU small finance Bank.

Table 2: Debt Equity Ratio (D/E)

| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	9.43	5.67	4.46	8.25
2021	8.25	6.79	3.23	5.99
2020	9.90	6.37	4.12	4.96
2019	11.27	6.29	3.23	6.82
2018	8.20	5.66	2.81	4.41
Avg.	9.41	6.16	3.57	6.09
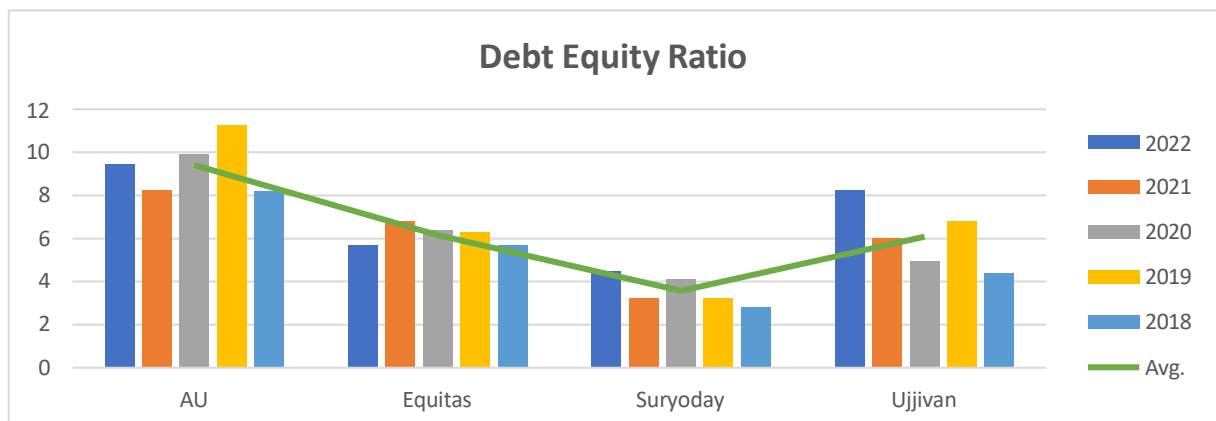
From the above analysis we can observe that on an average AU bank followed by Equitas, Ujjivan and Suryoday bank have higher debts in the bank which indicates high risk and low performance of the banks.

Table 3: Equity to Total Assets Ratio (E/TA)

Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	0.46	4.65	1.3	6.73
2021	0.61	4.61	1.58	6.74

| **2020**	0.72	5.45	1.61	10.47
2019	0.9	6.38	2.17	11.93
2018	1.52	7.56	3.12	17.31
Avg.	0.84	5.73	1.96	10.64
Rank	4	2	3	1
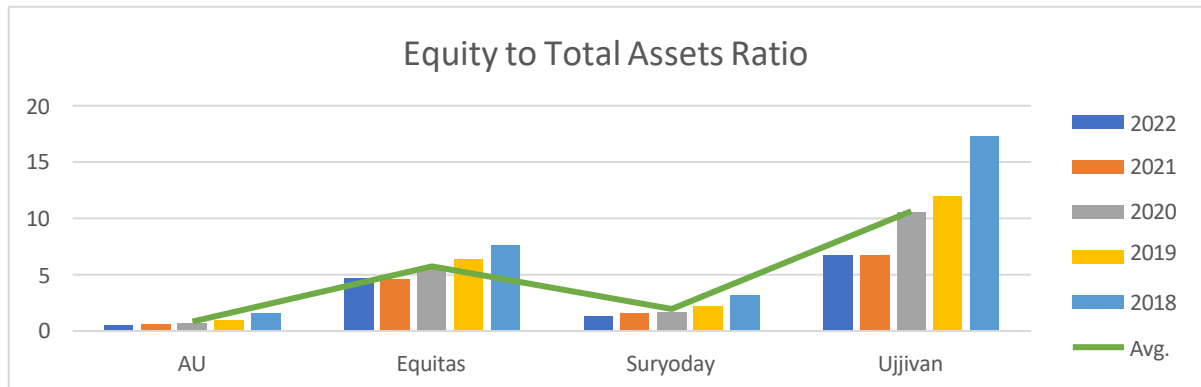
From the above analysis we can observe that Ujjivan small finance bank maintain highest equity to total assets ratio followed by Equitas, Suryoday and AU small finance bank.

2. Assets Quality

Table 4: Gross Non-performing Assets Ratio (GNPA)

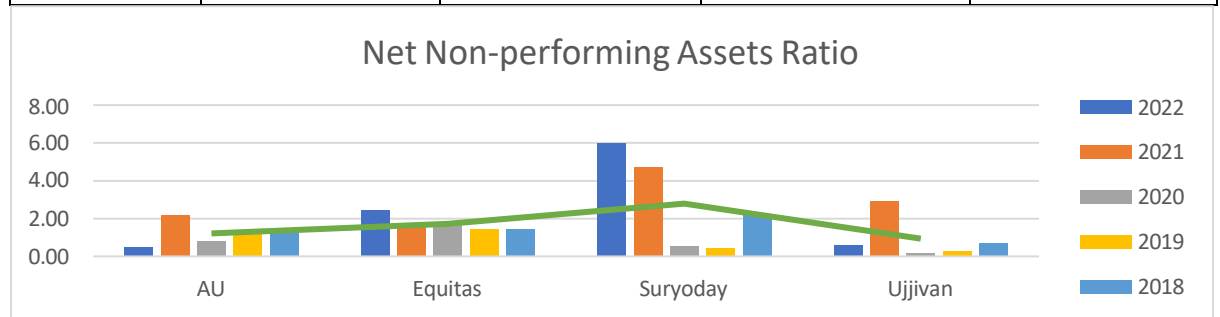| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	1.98	4.24	11.8	7.34
2021	4.25	3.73	9.41	7.07
2020	1.70	2.72	2.79	0.97
2019	2.00	2.53	1.80	0.92
2018	2.00	2.73	3.54	3.65
Avg.	2.39	3.19	5.87	3.99
Rank	1	2	4	3
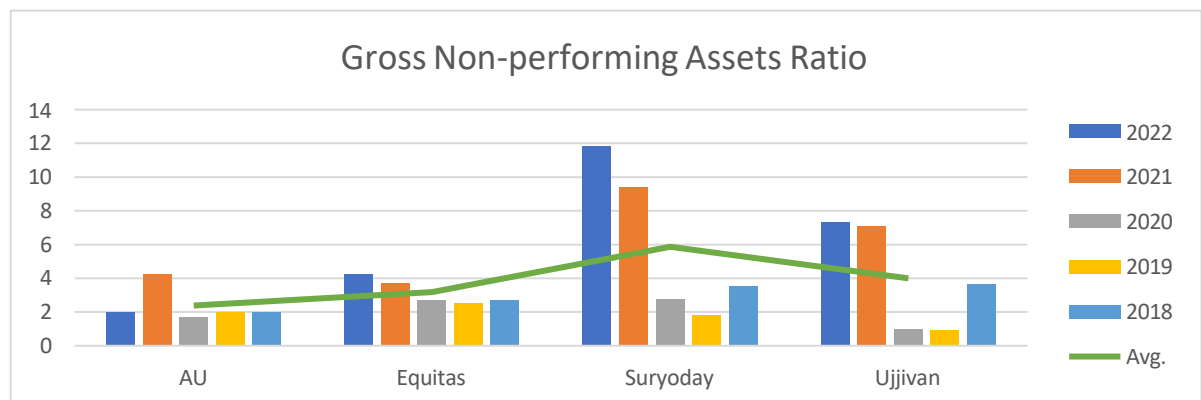
From the above analysis we can observe that Suryoday small finance bank has the highest GNPAs to total

Assets followed by Ujjivan, Equitas and AU small finance bank.

Table 5: Net Non-performing Assets Ratio (NNPA)

| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	0.50	2.47	5.97	0.61
2021	2.18	1.58	4.73	2.93
2020	0.81	1.66	0.57	0.2
2019	1.29	1.44	0.44	0.26
2018	1.27	1.46	2.25	0.69
Avg.	1.21	1.72	2.79	0.94
Rank	2	3	4	1

Net Non-performing Assets Ratio

From the above analysis we can observe that Suryoday small finance bank has the highest NNPAs to total Assets followed by Equitas, AU and Ujjivan small finance bank.

Table 6: Investment to Total Assets Ratio (I/TA)

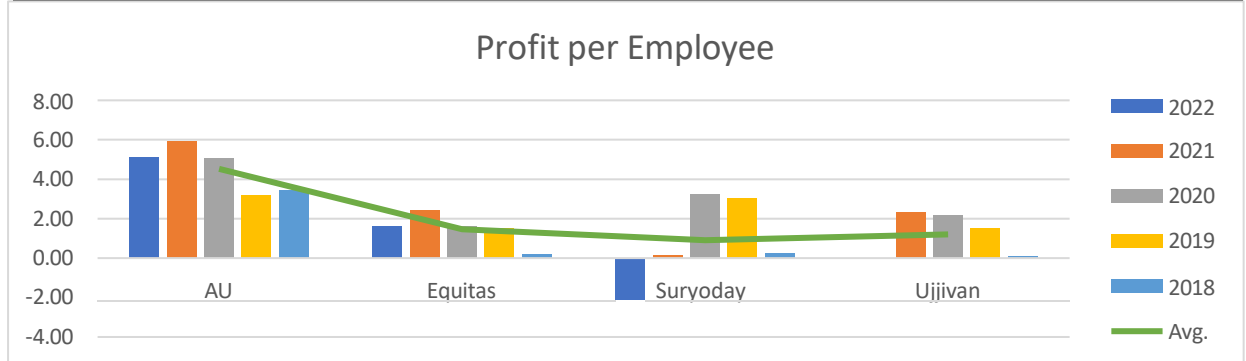| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	22.16	16.51	25.15	17.26
2021	20.96	15.00	27.92	12.63
2020	25.31	12.13	15.07	12.98
2019	21.95	14.87	17.66	11.04
2018	16.20	28.98	14.39	12.56
Avg.	21.32	17.50	20.04	13.29
Rank	1	3	2	4

Investment to Total Assets Ratio
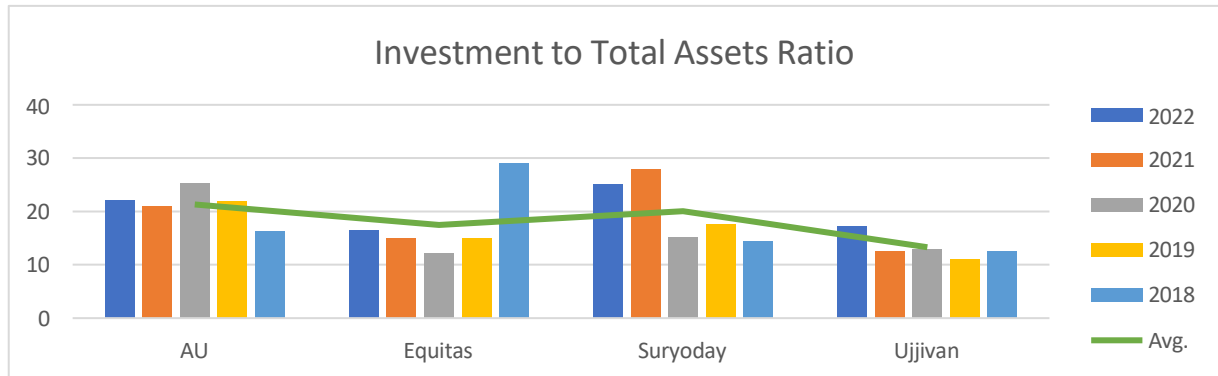
From the above analysis we can observe that AU small finance bank has the highest Investment to total Assets followed by Suryoday, Equitas and Ujjivan small finance bank.

3. Management Competence

Table 7: Profit per Employee (PPE) in lacs

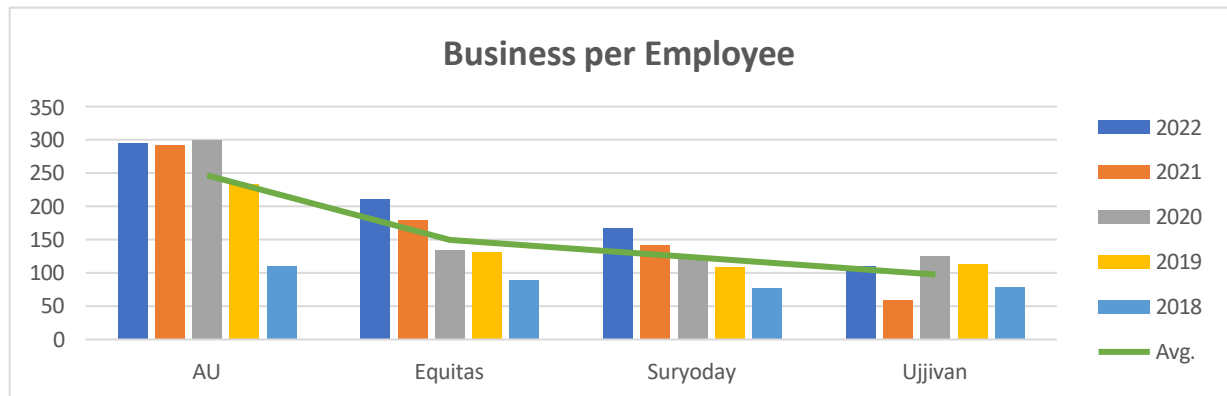| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	5.13	1.61	(2.13)	(0.04)
2021	5.89	2.40	0.13	2.31
2020	5.03	1.60	3.24	2.15
2019	3.17	1.50	3.04	1.53
2018	3.41	0.20	0.26	0.06
Avg.	4.53	1.46	0.91	1.20
Rank	1	2	4	3

Profit per Employee

From the above analysis we can observe that AU and Equitas small finance bank has the highest profit per employee where as Suryoday and Ujjivan small finance banks incurred losses.

Table 8: Business per Employee (BPE) in lacs.

Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	296.00	211.00	167.00	111.12
2021	293.00	180.00	142.00	58.59

2020	300.00	135.00	123.00	125.64
2019	234.00	132.00	109.00	113.44
2018	110.00	89.00	77.00	79.37
Avg.	246.60	149.40	123.60	97.63
Rank	1	2	3	4

Business per Employee

From the above analysis we can observe that AU small finance bank has the highest business per employee followed by Equitas, Suryoday and Ujjivan small finance bank.

Table 9: Interest Income to Total Advances (II/TD)

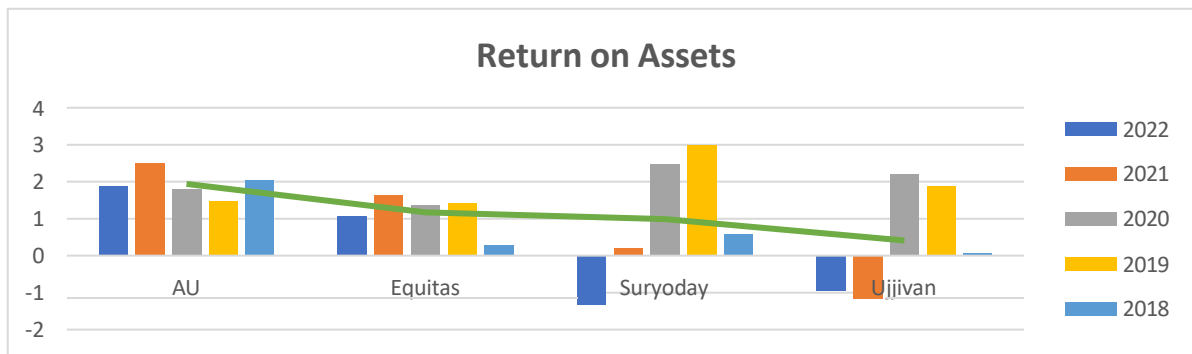| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	12.85	17.86	19.82	17.33
2021	14.3	18.96	19.49	21.43
2020	15.88	19.24	21.71	19.25
2019	12.92	18.21	19.78	17.36
2018	13.28	20.02	18.22	20.01
Avg.	13.85	18.86	19.80	19.08
Rank	4	3	1	2

Interest Income to Total Advances
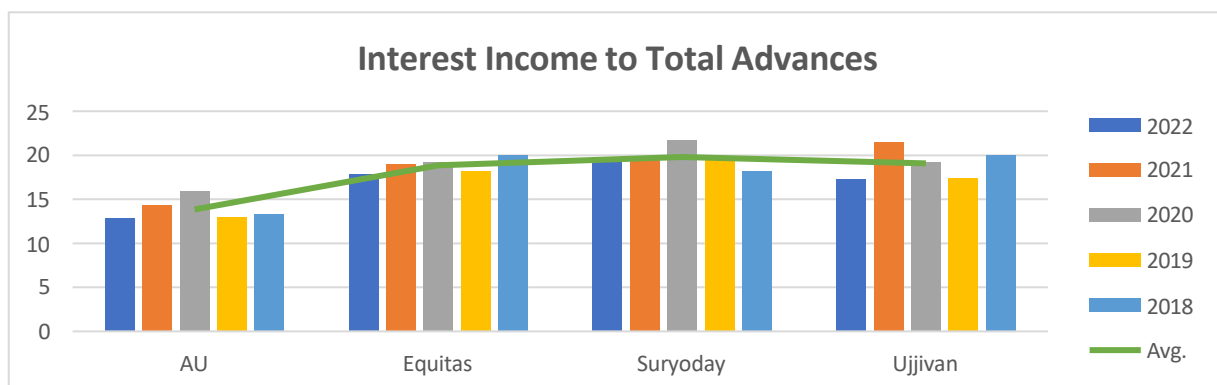
From the above analysis we can observe that Suryoday small finance bank has the highest Interest income to Total advances followed by Ujjivan, Equitas and AU small finance bank.

**4.** Earning Quality

Table 10: Return on Assets (ROA)

Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	1.87	1.07	-1.33	-0.94
2021	2.5	1.65	0.19	-1.18
2020	1.81	1.38	2.49	2.21
2019	1.48	1.43	3	1.88
2018	2.04	0.3	0.58	0.08
Avg.	1.94	1.17	0.99	0.41
Rank	1	2	3	4

From the above analysis we can observe that AU banks have utilised their assets efficiently and generated better return on assets as compared to other selected small finance banks.

Table 11: Return on Equity (ROE)

Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	18.19	7.38	(6.49)	(8.22)
2021	22.46	12.7	0.78	(7.44)
2020	17.90	9.75	11.4	13.98
2019	14.03	9.80	12.19	11.49
2018	12.8	1.57	1.88	0.42
Avg.	17.08	8.24	3.95	2.05
Rank	1	2	3	4
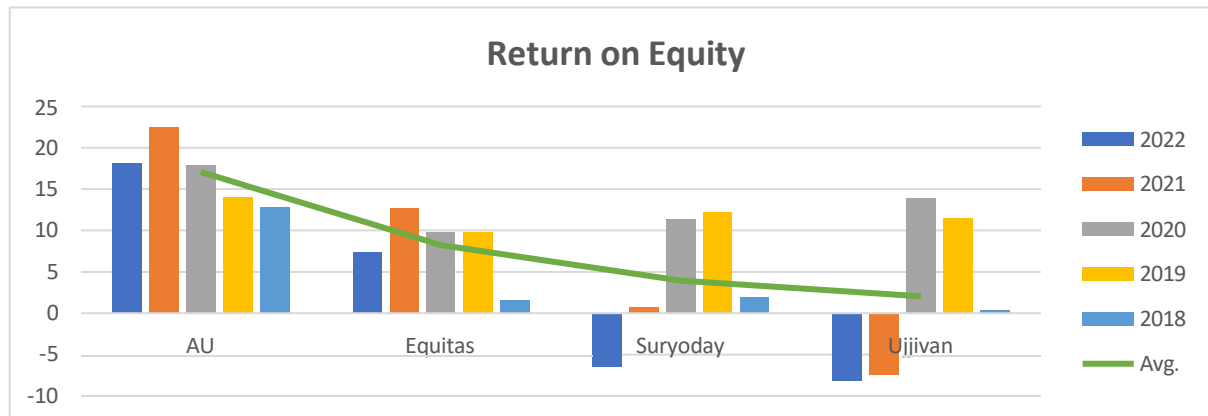
Return on Equity

From the above analysis we can observe that AU small finance bank has the generate highest return to shareholders as a Return on Equity as compared to other selected small finance bank.

Table 12: Operating Profit to Total Assets (OP/TA)

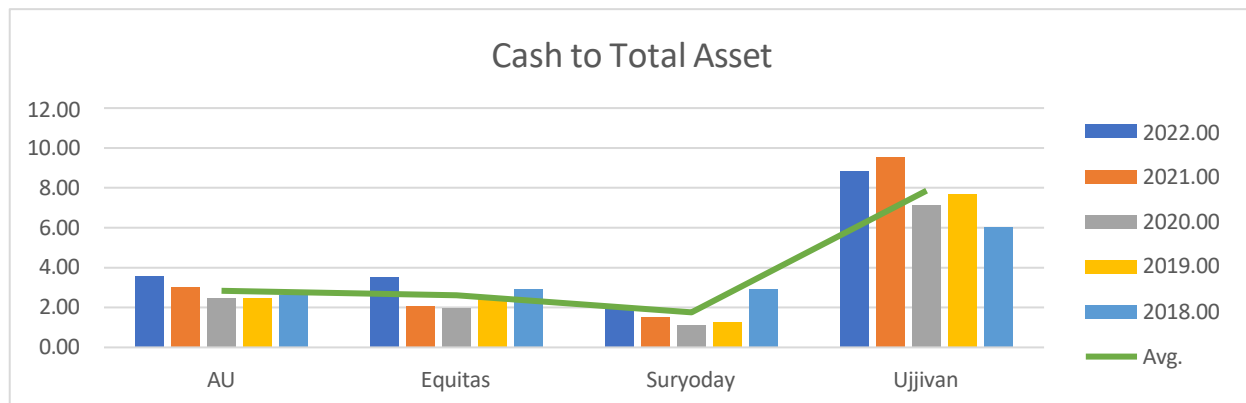| Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	2.63	3.24	3.24	1.64
2021	4.12	3.59	2.36	1.74
2020	3.20	3.41	6.70	3.96
2019	2.81	2.93	7.16	2.66
2018	3.06	1.96	3.25	3.37
Avg.	3.16	3.03	4.54	2.67
Rank	2	3	1	4

Operating Profit to Total Assets
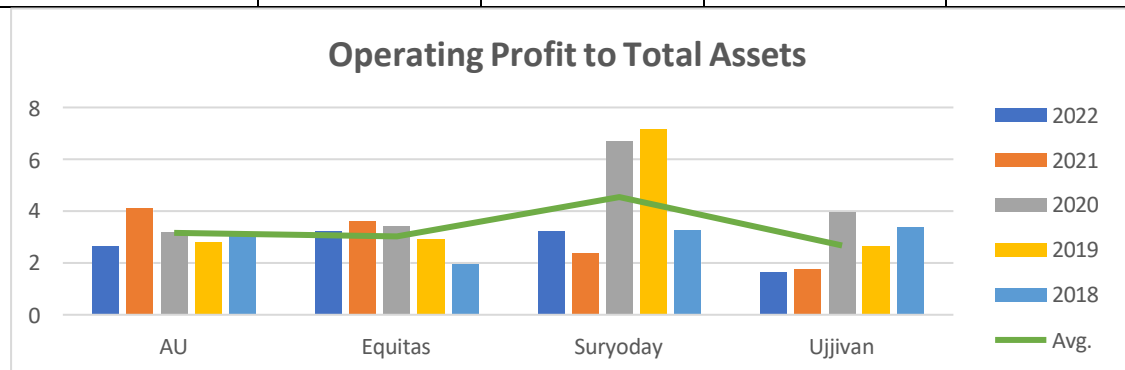
From the above analysis we can observe that Suryoday small finance bank has the highest Operating profit to Total assets followed by AU, Equitas and Ujjivan small finance bank.

5. Liquidity

Table 13: Cash to Total Assets (C/TA)

Year/Banks	AU	Equitas	Suryoday	Ujjivan

2022	3.57	3.55	1.95	8.83
2021	3.04	2.08	1.53	9.57
2020	2.49	1.97	1.13	7.16
2019	2.49	2.55	1.28	7.69
2018	2.61	2.90	2.90	6.05
Avg.	2.84	2.61	1.76	7.86
Rank	2	3	4	1

Cash to Total Asset

From the above analysis we can observe that Ujjivan small finance bank have higher cash assets in total assets as compared to the AU, Equitas and Suryoday small finance bank.

Table 14: Credit to Deposits Ratio (C/D)

Year/Banks	AU	Equitas	Suryoday	Ujjivan
2022	88.00	102.00	123.00	93.00
2021	96.00	103.00	122.00	106.00
2020	103.00	127.00	124.00	131.00
2019	117.00	129.00	168.00	151.00
2018	168.00	138.00	138.00	143.00
Avg.	114.40	119.80	135.00	124.80
Rank	4	3	1	3

Credit to Deposit Ratio
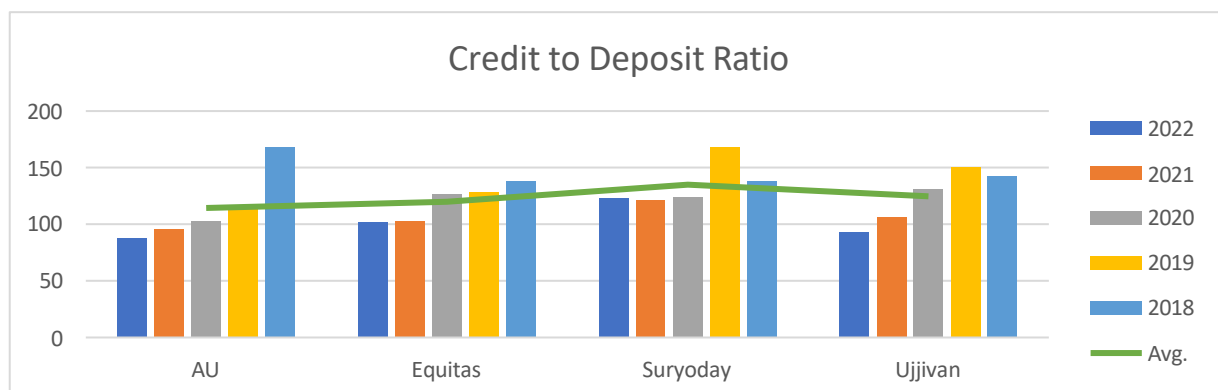
From the above analysis we can observe that Suryoday small finance bank have higher Credit to Deposit ratio as compared to the Ujjivan, Equitas and AU small finance bank.

From the above analysis we can observe that Suryoday small finance bank have higher Investment in Government securities to Total assets ratio followed by Equitas, AU and Ujjivan, small finance bank.

Conclusion

In this paper an endeavor is made to study the money financial performance of chosen small finance banks. Through the think about it is watched that In terms of capital adequacy Suryoday small finance banks have performed way better, in terms of obligation value proportion AU small finance bank have more use compared to other banks, in terms of value to add up to resources Ujjivan small finance bank keep up most elevated proportion. In terms of resource quality Suryoday small finance banks have high NPAs as compared to chosen other small finance banks for the period, in terms of venture to add up to resources proportion of AU small finance banks was way better for the chosen period. In terms of administration capability AU little back bank have performed way better in benefit per worker proportion, commerce per workers proportion while Suryoday small finance banks are driving in intrigued wage to add up to propels proportion. In general AU small finance banks have performed way better in administration capability. In terms of earning capacity AU small finance banks have performed way better in return to add up to resources proportion and return on value, in terms of working benefit to add up to resources proportion Suryoday small finance banks have performed superior, though Suryoday and Ujjivan finance banks have too caused misfortunes in terms of return amid the ponder period. In terms of liquidity Suryoday and AU little fund banks have superior liquidity position. To conclude Camel demonstrate may be a great degree to assess in general execution of the banks but utilizing it exclusively may not be exhorted there are other esteem based measures like financial esteem included, showcase esteem included etc. which can be connected to know the financial money related execution of the banks. A combination of diverse strategies will donate superior execution estimation.

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