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A Study On Financial Performance Analysis Of Commercial Banks, Company Union Bank

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ABSTRACT

In today's scenario, the banking sector is one of the fastest growing sectors and a lot of funds are invested in Banks. Also today's banking system is becoming more complex. So, there is a strong need to evaluate their performance of the banks. There are various models of evaluating the performance of the banks, but in this study we discussed about the CAMEL Model to evaluate the performance of the banks. This model measures the performance of the banks from parameter comprising of Capital adequacy, Assets quality, Management, Earnings and Liquidity, We have studied the performance of five banks selected on the basis of market capitalisation (i.e. UBI, HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank.). Period under study is from 2016-2016. After calculating ratios weightage have been given to each parameter of the CAMEL Model. From the weighted results of each ratio, we have given marks on the bases of the performance of the bank. On the basis of best overall performance, we have assigned ranks from 1 to 5 to the banks under study. As per the whole evaluation, the results of the study are as follows and we rank the banks as per the study results. 1st Rank: HDFC Bank; 2nd Rank : UBI Bank; 3rd Rank : Kotak Mahindra Bank; 4th Rank : ICICI Bank; 5th Rank : AXIS Bank.

INTRODUCTION

India has 88 scheduled commercial banks (SCBs) – twenty six public sector banks, twenty two private banks (these do not have government stake; they are listed and traded on stock exchanges) and 31 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to ICRA rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively. This study aims at measuring the performance of banking companies based on CAMEL model.

CAMEL Frame-work**:**Supervisor's rating of overall condition of Indian commercial bank is commonly referred as CAMEL rating. The acronym "CAMEL" refers to the five components namely Capital adequacy, Asset quality, Management, Earnings and Liquidity. A sixth component, bank's Sensitivity to market risk was added in 1997. During an on-site bank exam, auditors gather private information, such as quality of loans to evaluate a bank's financial condition and to monitor its compliance with existing regulatory policies. CAMEL is basically a ratio-based model for evaluating the performance of banks. Various ratios forming this model are explained below:

C stands for Capital Adequacy**:** Financial managers are required to maintain adequate levels of capital so as to cover risky asset. Moreover, besides absorbing unanticipated shocks, it signals

that the institution will continue to honour its obligations. The most widely used indicator of capital adequacy is capital to risk-weighted assets ratio (CRAR). According to the Basle norms framed by Bank for International Settlements, a minimum 8 percent CRAR is required internationally but India being more conservative has kept it at a minimum of 9 percent.

A stands for Asset Quality: Asset quality determines the soundness of financial institutions. The deteriorating value of assets, being the prime source of banking problems as losses are eventually written-off against capital, which ultimately exposes the earning capacity of the institution. With this backdrop, the asset quality is gauged in relation to the level and severity of non-performing assets adequacy of provisions, recoveries, distribution of assets etc. The main indicators of this include non-performing loans to advances, loan default to total advances, and recoveries to loan default ratios.

Non-Performing Assets: Loans and advances usually represent the main asset of bank's balance sheet. An asset becomes non-performing, when it ceases to generate income for the Bank. NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Net NPA ratio: Net NPAs reflect the actual amount of loss assets of a bank. A high level of NPAs suggests large number of credit defaults that affect the profitability and net-worth of banks. It monitors the quality of the bank's loan portfolio. The higher the ratio, the higher the credits risk. (Net NPA/ Total Advances).

M stands for Management: Management evaluation includes ability of the top management to plan and react to changing circumstances including technical competence, leadership skills, compliance with set norms and administrative ability. Sound management is one of the most important factors behind institutions' performance. Furthermore it is difficult to judge this qualitative measure hence advance to total deposit, business per employee and profit per employee ratio has been used for gauging the management quality of the banking institutions.

The ratios used to evaluate management efficiency are described asunder:

Total Advance to Total Deposit Ratio: This ratio measures the efficiency and ability of the banks management in converting the deposits available with the banks (excluding other funds like equity capital, etc.) into high earning advances. Total deposits include demand and time deposit. Total advances also include the receivables. (Total Advance/ Total Deposit.)

Business per employee: Business per employee is defined as the contribution or share of per employee out of total. Private banks with sales targets have better Business per employees as compared to PSU Bank leaving govt. business apart. Public sector banks (PSBs) will require more efficiency out of their operations to catch up with the banking industry's average in terms of profit per employee and business per employee.

Profit per Employee: This ratio shows the surplus earned per staff member. It is arrived at by dividing profit after tax earned by the bank by the total number of employee. The higher the ratio shows good efficiency of the management. (Profit after Tax/ No. of Employees)

E stands for Earning & Profitability: Earnings and profitability, the prime source of increase in capital base, is examined with regards to interest rate policies and adequacy of provisioning. In addition, it also helps to support present and future operations of the institutions. The single best indicator used to gauge earning is the Return on Assets (ROA), which is net income after taxes to total asset ratio. Strong earnings and profitability profile of banks reflects the ability to support present and future operations.
Return on Asset: This ratio indicates the efficiency of the banks in utilizing their assets in generating profits. A higher ratio indicates the better income generating capacity of the assets and better efficiency of management in future. (Net Profit/ Total Asset.)

Interest Income to Total Income: Interest income is the basic source of revenue for banks. The interest income to total income indicates the ability of the bank in generating income from its core business of lending. In other words, this ratio measures the income from lending operations as a percentage of the total income. Interest income includes income on advances, interest on deposits with the RBI, and dividend income. (Interest Income/ Total Income)

Non Interest Income to Total Income: Fee based income account form a major portion of the bank's other income. The bank generates higher fee income through innovative products and quality service levels. The ratio is also influenced by gains on government securities, which fluctuates depending on interest rate movement in the economy. (Other Income/ Total Income)

L stands for Liquidity: An adequate liquidity position refers to a situation, where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. It is, therefore, generally assessed in terms of overall assets and liability management, as mismatching gives rise to liquidity risk. The liquidity of an institution depends on: institution's short-term need for cash; Cash on hand; available lines of credit; the liquidity of the institution's assets; the institution's reputation in the marketplace—how willing will counterparty is to transact trades with or lend to the institution?

The ratios suggested to measure liquidity under CAMEL Model are as follows:
Liquid Asset to Total Asset: Liquidity for a bank means the ability to meet its financial obligations as they come due. Bank lending leads to creation of illiquid assets, but it fund its loans with mostly short term liabilities. Thus one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions. Liquid assets include cash in hand, balance with the RBI, balance with other banks (both in India and abroad), and money at call and short notice. Total asset include the revaluations of all the assets. The proportion of liquid asset to total asset indicates the overall liquidity position of the bank. (Liquidity Asset/ Total Asset)
Liquidity Asset to Demand Deposit: This ratio measures the ability of a bank to meet the demand from deposits in a particular year. Demand deposits offer high liquidity to the depositor and hence banks have to invest these assets in a highly liquid form. Liquidity Asset/ demand Deposit
Cash to Deposit Ratio: This ratio measures the liquidity available to the deposits of a bank. Total deposits include demand deposits, savings deposits, term deposits and deposits of other financial institutions. Liquid assets include cash in hand, balance with the RBI, balance with other banks (both in India and abroad), and money at call and short notice. Liquidity Asset/ Total Deposit.

NEED FOR THE STUDY

The study is significant for providing an improved understanding of the determinants of commercial banks' profitability and their precise effect on overall performance. Financial performance of a firm affects the interest of its stakeholders. The stakeholders refer to trade creditors, bondholders, investors and management and other user of financial statements. Trade creditors are interested in the liquidity of the firm, bondholders are interested in the cash flow ability of the firm, investors are interested in present and expected future earnings as well as stability of these earnings and management is interested in internal control, better financial condition and better performance of firm.

OBJECTIVES OF THE STUDY

- To study undertaken is to evaluate and compare the financial performance of commercial banks from 2016-2020 based on financial analysis ratios.
- To examine the financial performance of the selected banks from the view point of CAMEL Model
- To determine the ranks of the selected banks as per CAMEL rating model.
- The final aim of this study is to establish if there is really any significant variability in the range of income/gains among various banking groups.

SCOPE OF PROJECT

To perceive and analyst a scope of division in HYDERABAD fighting with HSBC bank. Focus on explicit retail things, for instance, retail credits, pay data and NRI organizations: organization things, for instance, interchange support organizations, distant organizations and working capital returned of these deals with a record with features any place possible. Compare the banks as to each thing. Attempt to gauge the system taken after with the guide of every single contender bank and its push domains. Identify the clients of these banks HYDERABAD. In such way, examine the promoting channels used with the guide of various banks to push level thing.

HYPOTHESES OF THE STUDY

In order to find the desired results about second objective of the study, the Researcher has proposed following null hypotheses:

H0 : “The Return on Asset of the different banks for the study is equal”

H0 : “The Return on Equity of the different banks for the study is equal”

H0 : “The Net Interest Margin of the different banks for the study is equal”

PROBLEM STATEMENT

There are various studies done on the performances of banks in India and abroad. However, recent changes and trends happening in the Indian banking industry especially the bad loans stressed on PSUS’s have made the performance evaluation of banks lot more significant. Hence, there is still a necessity to undergo further studies on the performances of banks as it

shall reveal the new trends in how they are functioning. The present study shall fill the research gap on the most recent performances of the banks.

The study shall be focused to make a comparative study, on the basis of financial performances between public and private sector banks in India. The study shall reveal the financial performance of banks. The financial performance defines potential of business, economic interest of the company management and reliability of present or future contractors. Therefore, financial performance analysis and identification of their weakness and strength using financial performance indicators can contribute to management, shareholders, the public and the regulator as a whole. Furthermore, the rationale of financial analysis is to diagnose the information contained in the financial statement so as to judge the future earning, ability to pay interest, profitability and dividend of the banks

LIMITATIONS

This study is conducted for the partial fulfillment of Master Degree in Business Studies. So, it possesses some limitations of its own kind which is constraints of data, information etc. The main limitations of the study will beas:

- There were some limitations inherent in the study.
- The study was completely done on the basis of ratios calculated from the banking financial performance key ratios.
- There are many other ratios that could have been used to assess the
- performances of the Banks; however, selective ratios have been taken to analyze the performance under the CAMEL Model.
- No standard norms or rules of thumb for theratios selected are there to compare with the calculated ratios.

REVIEW OF LITERATURE

Empirical studies investigating the financial performance of commercial banks in general conclude that bank performance is conditional economic fluctuations, macro indicators, and ownership characteristics, electronic

banking operations. Thus, according to Boyd et al. (2001) there are a significant, and economically important, negative relationship between inflation and both banking sector development and equity market activity. While,there exist positive relationship between e-banking and bank performance (Aduda & Kingoo, 2012).

The commercial bank efficiency in transition economies influenced by foreign ownership and this leads to more efficient banks (Grigorian & Manole, 2002; Bonin et al., 2005). While findings of Verbrugge et al. (1999 suggest that, continued significant government ownership of banks raises serious problems for establishing market-oriented governance and decision-making systems in the banks.

DeYoung & Rice (2004) demonstrated a number of empirical links between bank noninterest income, business

strategies, market conditions, technological change, and financial performance between 1989 and 2001. The results indicate that well-managed banks expand more slowly into noninterest activities, and that marginal increases in noninterest income are associated with poorer risk-return trade-offs on average. These findings

suggest that noninterest income is co-existing with, rather than replacing, interest income from the intermediation activities that remain banks' core financial services function. However, the empirical literature that investigates the financial performance of banks by efficiency ratios,

shows that ranking of banks differ as the financial ratio changes, that capital adequacy, asset quality,management efficiency and liquidity had weak relationship with financial performance, while earnings had a strong relationship with financial performance (Alam et al., 2011; Fredrick, 2012).

Hernando & Nieto (2007) estimated the impact of the adoption of a transactional web site on financial performance using a sample of 72 Spanish commercial banks over the period 1994-2002. Since brokerage is one of the main drivers used for banks for acquiring new customers on-line, the paper also analyzes the impact on the performance of the multichannel banks of the provision of on-line brokerage. The impact on banks´ performance of transactional web adoption (or the broker on line business model) seems to vary over time. The adoption of the Internet as a delivery channel has a positive impact on banks´ profitability (ROA and ROE) after one and a

half years, mainly explained by the lower overhead expenses and, in particular, staff and IT costs after the same period. The paper also concludes that the Internet is used as a complementary mean of transacting rather than a substitute for physical branches/ATMs.In order to evaluate the performance of banking institutions the regulators and policy makers have developed different perspectives for effective supervision and control of Indian Banking system. In India Padmanabhan Working Group (1995) suggested two supervisory rating models named CAMELS (Capital Adequacy, Assets Quality, Management, Earning, Liquidity, Systems and Controls) and CACS (Capital Adequacy, Assets Quality, Compliance, Systems and Controls) for rating of Indian commercial banks and foreign banks operating in India. Bodla and Verma (2006) recommended that performance rating would help regulator for identifying the banks requiring special supervisory attention. Barr et al. (2002) viewed that "CAMEL rating ensures bank's healthy conditions by reviewing different aspects of a bank. Sarker (2005) in Bangladesh examined the CAMEL model for regulation and supervision of Islamic banks by the central bank. This study enabled the regulators and supervisors to get a Shariah benchmark to supervise and inspect Islamic banks. The study concluded that competition was tough and consumers benefited from better quality services, innovative products and better bargains. Similarly Kapil (2005) investigated the relationship between the CAMEL ratings and the bank stock performance. The viability of the banks was analyzed on the basis of the offsite supervisory exam model—CAMEL model. On the other hand Singh and Kohli (2006) undertook SWOT analysis of private sector banks and ranked them on the basis of financial data for the years 2003-2005 using CAMEL model. Similarly Gupta (2008) conducted the study with the main objective to assess the performance of Indian Private Sector Banks on the basis of Camel. A study was conducted by Siva and Natarajan (2011) on State banks group discussing the applicability of CAMEL norms and its impact on the performance of UBI Groups. Rao and Datta (1998) conducted a study based on CAMEL to assess the performance of all nationalized banks for the year 1998. Grier (2007) recommended that management is considered to be the most important element in the CAMEL rating system. Agarwal and Sinha (2010) studied the performance of microfinance institutions in India using the CAMEL framework. Rashid (2007) conducted study in Pakistan during 1999-2006 and evaluated the financial performance of Islamic banks by using financial ratios like profitability, liquidity, risk, solvency and community development into consideration. Manoj (2010) made

comparative analysis of the financial soundness of old generation private sector banks in India with regard to Kerala based Old generation Private Banks. Khan,M. (2011) studied the performance of NBP & MCB under camel Model where three ratios i.e., liquid asset to total assets, loans to deposits, and yield on earning assets were used to gauge liquidity. Kouser et al (2012) compared the performance of pure Islamic banks, mixed and conventional banks using CAMEL model. The paper has found that Islamic banks have adequate capital and have good asset quality when compared to Islamic branches of conventional banks and conventional banks. The earnings and management competency of Islamic branches is better than conventional banks. Mishra & Aspal, (2012) has evaluated the performance & financial soundness of State Bank Group using CAMEL approach with financial parameters like Capital, Asset Quality, Management efficiency, Earning Quality, Liquidity. Muhammad (2009) claims that the strength of CAMEL's factors would determine the overall strength of the bank. The quality of each component underlines the inner strength and how far it can take care of itself against the market risks.2.1.1 Concept of Commercial Bank

According to the Banks and Financial Institutions Act, 2063, "Bank" means a corporate body incorporated to carry on financial transactions as prescribed by the Rastra Bank". Sub-section (1) of Section 47 of this Act further explains specific function of the commercial Bank in Nepal. Nepal Rastra Bank has classified Nepalese banks and financial institutions into four classes: Class A, B, C and D based on minimum paid up capital requirement and some other criteria. Aforesaid class 'A' category banks are known as commercial banks in Nepalese context. Monetary Policy 2015-16, has made a provision of minimum 8 billion paid capital for class 'A' banks which is commercial bank.

Singh (2010) defines a commercial bank as a financial institution which performs the functions of accepting deposits from the general public and giving loans for investment with the aim of earning profit. In fact, commercial banks, as their name suggests, axe profit-seeking institutions, i.e., they do banking business to earn profit.

A commercial bank is a type of financial intermediary and a type of bank. Commercial banking is also known as business banking. Commercial banks, as the name itself signifies, designed to accept deposit and advance credit to commercial sector. Their operations are mainly commercial in nature and they handle short-term finance. But new developments have come up as they are also handling medium term and long term financing. Commercial banks, these days, undertake various financial activities and provide various kinds of financial services.

Jha & Hui (2012) compared the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios, which were based on CAMEL Model. Eighteen commercial banks for the period 2005 to 2010
were financially analyzed. In addition, econometric model (multivariate regression analysis) by formulating two regression models was used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest
expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on assets and return on equity of these banks. The results show that public sector banks are significantly
less efficient than their counterpart are; however domestic private banks are equally efficient to foreign-owned (joint venture) banks. Furthermore, the estimation results reveal that return on assets was significantly influenced

by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity.

Nazir (2010) evaluated the financial performance of the two major banks operating in northern India. This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this

model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned. Ongore & Kusa (2013) used linear multiple regression model and Generalized Least Square on panel data to estimate the determinants of financial performance of commercial banks. The findings showed that bank specific

factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable. But the overall effect of macroeconomic variables was inconclusive at 5% significance level. The moderating role of ownership identity on the financial performance of commercial banks was insignificant. Thus, it can be

concluded that the financial performance of commercial banks in Kenya is driven mainly by board andmanagement decisions, while macroeconomic factors have insignificant contribution.Said &Tumin (2011) investigated the impact of bank-specific factors which include the liquidity, credit,capital, operating expenses and the size of commercial banks on their performance, which is measured by return

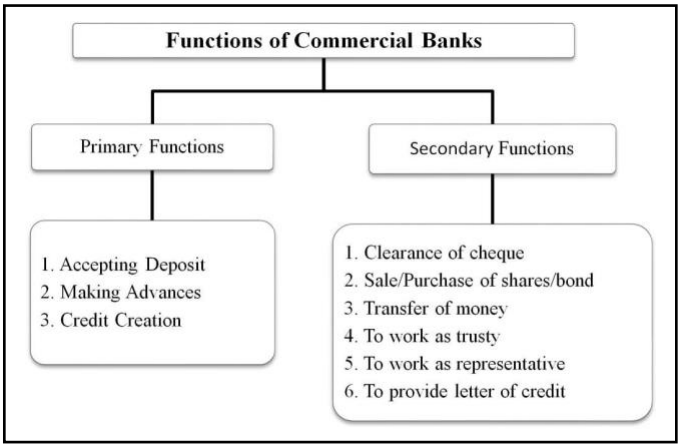
on average assets (ROAA) and return on average equity (ROAE). The results imply that ratios employed in thisstudy have different effects on the performance of banks in both countries, except credit and capital ratios.Operating ratios influence performance of banks in China, but this influence is not true for Malaysian banksregardless of the measure of performance.

FIGURE 3.1 GRAPHICAL PRESENTATION OF FUNCTION OF COMMERCIAL BANKS.

Research Gap

The banking sector occupies an important place in a nation's economy. The

Financial performance appraisal gives a direction to banking institutions ups and downs offinancial performances. After a critical review of the above literature, it is found thatthere have already been many studies on bank performances especially using CAMELmodel. However, no study was done on performances of banks for a period of recent tenyears. Studying larger period will reveal broader past and future trends in the Indianbanking sector.



Hence, there is still necessity to undergo further studies on theperformance of banks as it shall reveal new trends in how they are functioning. There arevarious methods which have been utilized for measuring the performance of banks inworld wide. CAMEL rating system

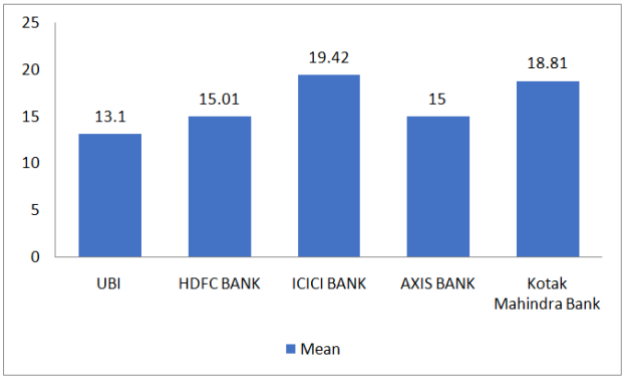
has become important means of measuring theoverall soundness and safety of banks in the light of global financial crisis and bankfailures. The system analyzes capital adequacy, asset quality, management quality, earnings, and liquidity of Banks incorporating relevant financial ratios. "CAMEL" modelas a tool is very effective, efficient and accurate to be used as a performance evaluate inbanking industries and to anticipate the future and relative risk. "CAMEL" ratios arecalculated in order to focus on financial performance

DATA ANALYSIS AND INTERPRETATION

TABLE -1

CAPITAL ADEQUATE RATIO: CAR

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	11.98	13.39	14.25	13.54	12.34	13.10
2	HDFC BANK	16.22	17.44	15.69	13.73	11.96	15.01
3	ICICI BANK	19.50	19.30	22.50	20.20	15.60	19.42
4	AXIS BANK	12.65	15.80	13.69	13.99	18.85	15.00
5	Kotak Mahindra Bank	19.90	18.35	20.01	20.20	15.60	18.81



INTERPRETATION:

CAR =Capital/Total Risk Weighted Credit Exposure.
Reserve Bank of India prescribes banks to maintain a minimum Capital to risk-weighted Assets Ratio (CRAR) of 9 % with regard to credit risk, market risk and operational risk on an ongoing basis, as against 8 % prescribed in Basel documents. Average Capital adequacy ratio of the ICICI Bank was well with 19.42% followed by Kotak Mahindra Bank of 18.81% the HDFC & AXIS Bank of 15% and 13.10% of UBI for the year 2007-11, above prescribed by RBI Higher the ratio the banks are in a comfortable position to absorb losses

TABLE 2.**Total Advances to Total Assets**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	61.8	60.0	56.2	57.7	59.5	59.0
2	HDFC Bank	57.7	56.5	53.9	47.5	51.4	53.4
3	ICICI Bank	53.3	39.9	57.6	56.4	56.8	52.8
4	AXIS Bank	58.7	57.8	55.2	54.4	50.3	55.3
5	Kotak Mahindra Bank	57.7	55.5	57.9	54.9	54.9	56.2

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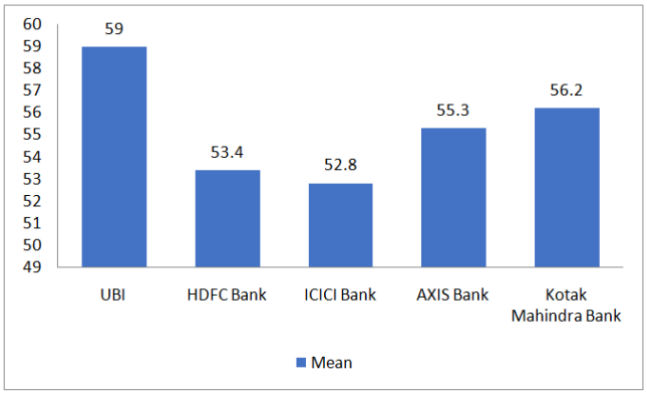
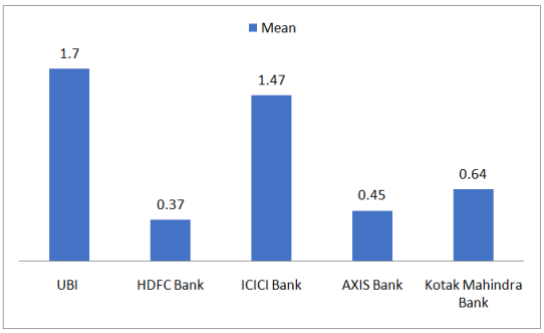


INTERPRETATION:

This table shows the contribution of the different banks to the economy of the country. More it is means more is it contributing to the economy. RBI has enforced it to be greater than 50%. The banks under study are all having it more than the benchmark. UBI Bank extends 59% followed by Kotak Mahindra Banks of 56.2% of its total assets to the commercial banks. ICICI Bank has 52.8%. It shows that every bank under study is extending a significance amount to the company.

TABLE 2 :**Net NPA to Total Advances**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	1.63	1.72	1.79	1.78	1.56	1.70
2	HDFC Bank	0.19	0.13	0.63	0.47	0.43	0.37
3	ICICI Bank	0.94	1.87	1.96	1.55	1.02	1.47
4	AXIS Bank	0.29	0.40	0.40	0.42	0.72	0.45
5	Kotak Mahindra Bank	0.40	1.10	1.20	0.30	0.20	0.64



INTERPRETATION:
Net NPA to Total Advances means percentage of adjusted NPAs' over total advances after making special provisions, NPA means Non-Performing Assets, which means bad debts or unproductive assets. In the financial organizations, it is the biggest concern of today's banking world, as it directly reduces the profits and affects the market capitalization of the banks. UBI bank has the highest average NPA of 1.70% followed by ICICI Bank of 1.47% of their total assets. HDFC Bank has the lowest 0.37%.

TABLE 1.7 **Gross NPA to Total Advances**

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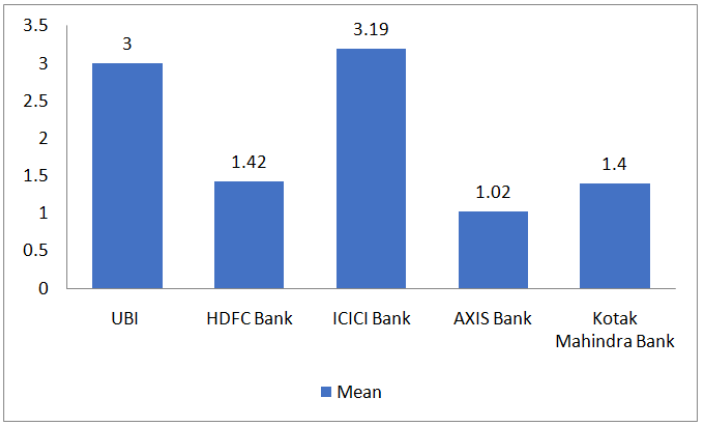
Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	3.30	2.89	2.86	3.04	2.92	3.00
2	HDFC Bank	1.05	1.43	1.98	1.34	1.32	1.42
3	ICICI Bank	1.71	4.60	4.15	3.18	2.29	3.19
4	AXIS Bank	1.10	1.25	1.09	0.83	0.81	1.02
5	Kotak Mahindra Bank	1.10	2.20	2.30	0.90	0.50	1.40

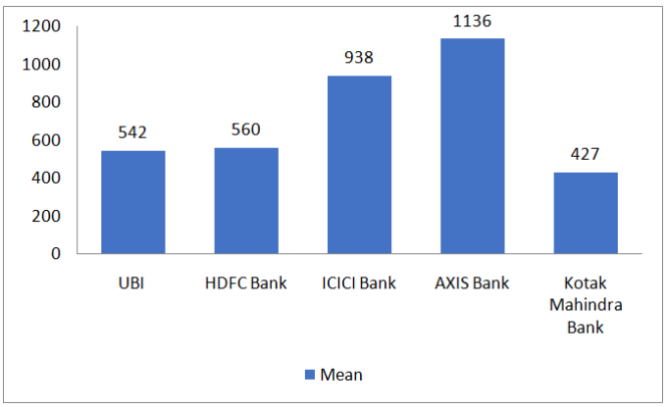


INTERPRETATION:

Gross NPA to Total Advances means percentage of total NPAs' over total advances, which mean bad debts or unproductive assets. In the financial organizations, it is the biggest concern of today's banking world, as it directly reduces the profits and affects the market capitalization of the banks. UBI bank has the highest average NPA of 3.00% followed by ICICI Bank of 3.19% of their total assets. HDFC Bank has the lowest 1.42%. Which is the best for the banks financial health?

TABLE 1.8**Businesses per Employee**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	705	636	556	456	357	542
2	HDFC Bank	653	590	446	506	607	560
3	ICICI Bank	735	765	1154	1008	1027	938
4	AXIS Bank	1366	1111	1060	1117	1024	1136
5	Kotak Mahindra Bank	535	487	347	384	384	427

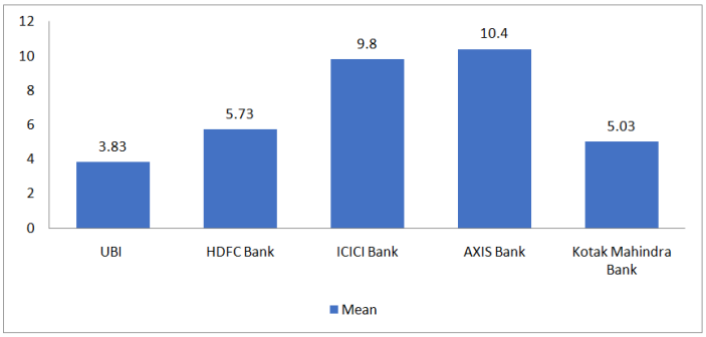


INTERPRETATION:

Every service organization tries to increase its Business Per Employee more and more. It means how much money an employee is generating for the organization? The more it is better it is for the company, as it will reduce the proportionate operational cost and increases the profit of organization. From the above table the AXIS Bank has the highest business per employee of 1136 followed by ICICI Bank 938. Kotak Mahindra Bank has 427 which are lowest in the banks under study.

TABLE 1.9 **Profits per Employee**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	3.85	4.46	4.74	3.73	2.37	3.83
2	HDFC Bank	7.37	5.98	4.18	4.97	6.13	5.73
3	ICICI Bank	10.00	9.00	11.00	10.00	9.00	9.80
4	AXIS Bank	14.00	12.00	10.00	8.39	7.59	10.40
5	Kotak Mahindra Bank	8.00	7.00	3.00	4.00	3.13	5.03

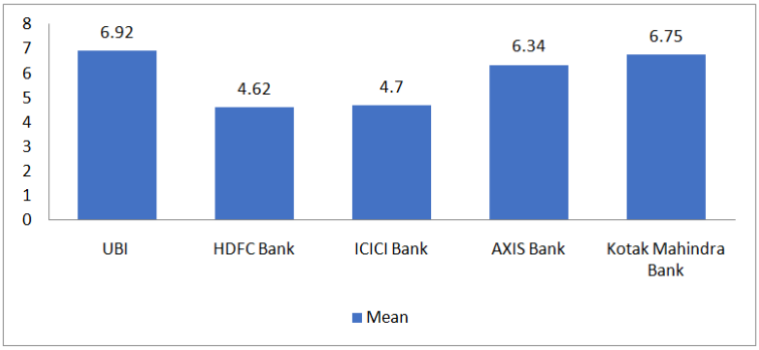


INTERPRETATION:

Maximum Profit per employee is the ultimate goal of the organization, because mere big revenues will not mean big profits. Because it depends on the cost of the services delivered. AXIS Banks has the highest profit per employee 10.40 and is followed by ICICI Bank 9.80. The lowest profit per employee is of UBI Bank of 3.83.

TABLE 1.10 **Assets Turnover Ratio**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	7.50	7.75	7.30	6.49	5.54	6.92
2	HDFC Bank	4.65	4.24	4.95	5.11	4.14	4.62
3	ICICI Bank	3.58	4.69	5.18	5.53	4.53	4.70
4	AXIS Bank	5.61	7.23	7.73	6.27	4.86	6.34
5	Kotak Mahindra Bank	6.19	6.02	6.20	8.56	6.77	6.75

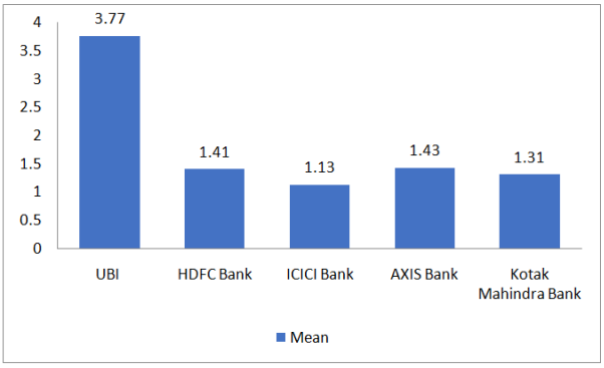


INTERPRETATION:

Asset turnover measures a firm's efficiency at using its assets in generating sales or revenue - the higher the number the better. It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset. This is the most important ratio for the banks as it compares the sales with the assets already held by the bank. It should be higher. UBI Bank has the highest value of 6.92 followed by the Kotak Mahindra Bank of 6.75. Axis Bank has 6.34 and ICICI Bank has 4.70%. UBI is leading bank having the highest assets turnover ratio.

TABLE 1.11 R**eturns on Equity:**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16	Mean
1	UBI	3.97	3.48	3.95	3.70	3.74	3.77
2	HDFC Bank	1.58	1.53	1.28	1.32	1.33	1.41
3	ICICI Bank	1.35	1.13	0.98	1.12	1.09	1.13
4	AXIS Bank	1.68	1.67	1.44	1.24	1.10	1.43
5	Kotak Mahindra Bank	1.77	1.72	1.03	1.10	0.94	1.31

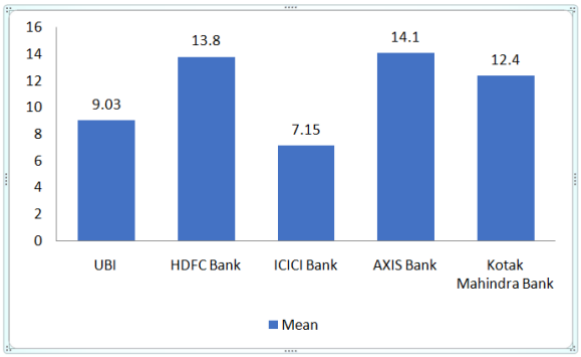


INTERPRETATION

Return on equity means the return over the shareholders wealth. This will increase the market value of the shares of that particular organization. This will intern benefit the banks for raising more funds from the market. From the above table it is 3.77 for UBI Bank and 1.41 of HDFC Bank. Other banks like ICICI Bank, AXIS Bank and Kotak Mahindra Banks have 1.13, 1.43 and 1.31 respectively.

TABLE 1.12 **NET INTEREST MARGIN**

Sr. No.	Bank Name	Mean	Mar '20	Mar '19	Mar 18	Mar '17	Mar 16
1	UBI	9.03	7.26	8.67	9.8	9.95	9.45
2	HDFC Bank	13.8	16.12	14.82	11.3	12.76	13.99
3	ICICI Bank	7.15	9.94	7.85	5.63	5.66	6.67
4	AXIS Bank	14.1	16.92	15.9	13.28	12.08	12.15
5	Kotak Mahindra Bank	12.4	14.2	13.2	9.12	13.2	12.49

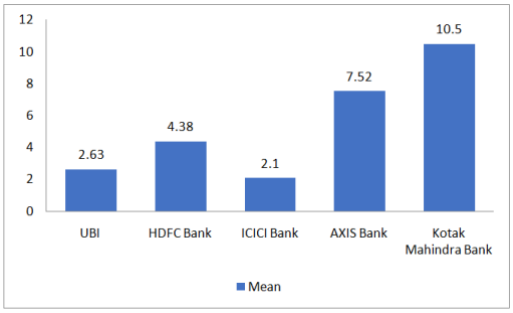


INTERPRETATION:

A performance metric that examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments. The maximum it is the better is it for the banks. The AXIS Bank has the highest interest margin of 14.066% followed by the HDFC Bank having 13.79%. ICICI Bank has the lowest value among the banks under study**.**

TABLE 1.13 **Net Interest Income/ Total funds**

Sr. No.	Bank Name	Mean	Mar '20	Mar '19	Mar-18	Mar '17	Mar-16
1	UBI	2.63	2.85	2.34	2.47	2.64	2.84
2	HDFC Bank	4.38	4.22	4.13	4.69	4.66	4.21
3	ICICI Bank	2.1	2.34	2.18	2.14	1.96	1.89
4	AXIS Bank	7.52	7.16	7.09	8.42	7.66	7.25
5	Kotak Mahindra Bank	10.5	9.25	12.29	7.86	12.38	10.82

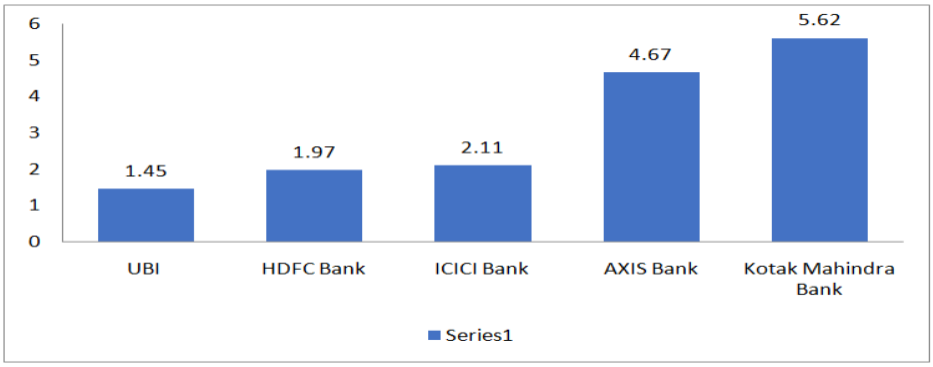


INTERPRETATION:

Net Interest Income/Total Funds is calculated by starting with a company's total interest revenue. From this, the cost of sales, along with any other expenses that the company incurred during the period, is removed to reach earnings before tax. Tax is deducted from this amount to reach the net income number. Net income, like other accounting measures, is susceptible to manipulation through such things as aggressive revenue recognition or by hiding expenses. When basing an investment decision on net income numbers, it is important to review the quality of the numbers that were used to arrive at this value. Kotak Mahindra has 10.52% of such income which is related to both operations and the investment of the banks. AXIS Bank has 7.52% and ICICI Bank has the lower of 2.10%. The more it is, it means banks is doing lot of investments in terms of loans and other third party investment.

TABLE 1.14 **Non-Interest Income/ Total funds**

Sr. No.	Bank Name	Mean	Mar '20	Mar '19	Mar-18	Mar '17	Mar-16
1	UBI	1.45	1.39	1.48	1.5	1.46	1.4
2	HDFC Bank	1.97	1.73	1.96	2.19	2.03	1.93
3	ICICI Bank	2.11	1.73	2.01	2.1	2.38	2.33
4	AXIS Bank	4.67	4.06	4.04	5.56	4.83	4.86
5	Kotak Mahindra Bank	5.62	5.47	6.82	6.07	5.25	4.47

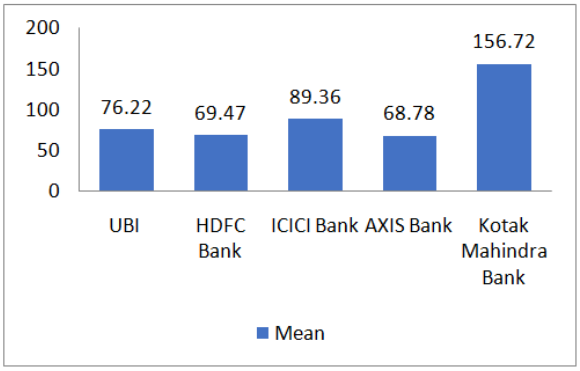


INTERPRETATION

Non-Interest Income/Total funds means the income generated from the fee, fine and charges on the customers of the banks or to the defaulters of the bank, The main attributes are NOC Charges, Third Party Collection Charges, and Locker Charges etc. Kotak Mahindra Bank has the highest Noninterest income is 5.61% is followed by HDFC Bank 4.67%. UBI has the lowest Non Interest Income of 1.45%.

TABLE 1.15 **Credit Deposit Ratios**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar-18	Mar '17	Mar-16	Mean
1	UBI	79.08	76.11	75.69	77.19	73.01	76.22
2	HDFC Bank	76.41	72.66	66.78	65.35	66.13	69.47
3	ICICI Bank	91.58	93.54	92.19	84.66	84.85	89.36
4	AXIS Bank	74.67	71.88	68.80	65.81	62.73	68.78
5	Kotak Mahindra Bank	144.44	146.52	161.67	160.83	170.14	156.72



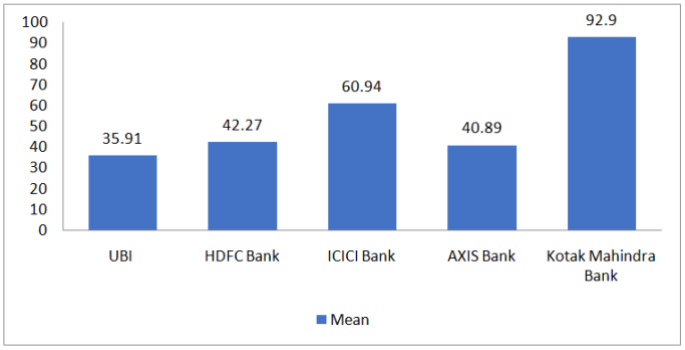
INTERPRETATION

A commonly used statistic for assessing a bank's liquidity by dividing the banks total loans by its total deposits. This number, also known as the LTD ratio, is expressed as a percentage. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements. If the ratio is too low, banks may not be earning as much as they could be. So here the Kotak Mahindra bank has the highest LTD ratio of 156.72cr.

Which is very high they may be utilizing the funds properly? But UBI, HDFC and AXIS Bank have 76.22, 69.47 and 68.78 respectively. ICICI Banks has 89.36. These banks have lower LTD ratio than Kotak Mahindra Bank.

TABLE 1.16 **Investment Deposit Ratio**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar-18	Mar '17	Mar-16	Mean
1	UBI	34.65	36.41	36.13	34.71	37.66	35.91
2	HDFC Bank	34.29	37.82	44.40	47.28	47.54	42.27
3	ICICI Bank	79.09	66.43	57.19	53.40	48.60	60.94
4	AXIS Bank	38.63	39.50	39.10	41.50	45.74	40.89
5	Kotak Mahindra Bank	92.68	92.02	94.07	92.91	92.80	92.90

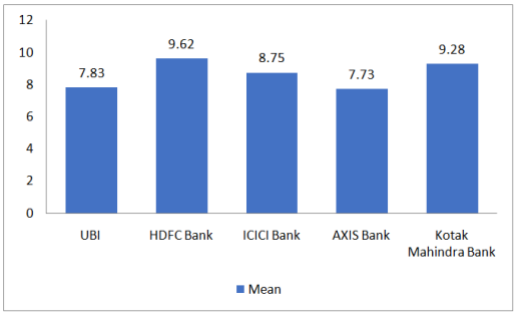


INTERPRETATION

A commonly used statistic for assessing a bank's liquidity by dividing the banks total investment by its total deposits. This number, also known as the ITD ratio. The higher it is the better it is for the liquidity position of the bank. It means that banks might have enough liquidity to cover any unforeseen fund requirements. If the ratio is too low, banks may not be earning as much as they could be. From the above table Kotak Mahindra Bank has 92.90, which is the highest among the banks under study. ICICI Bank has 60.94 and UBI Bank has the lowest of only 35.91, which means the UBI has not been utilising its funds properly.

TABLE 1.17 **Cash Deposit Ratio**

Sr. No.	Bank Name	Mar '20	Mar '19	Mar-18	Mar '17	Mar-16	Mean
1	UBI	8.50	7.35	8.33	8.49	6.46	7.83
2	HDFC Bank	10.81	9.36	10.72	10.44	6.76	9.62
3	ICICI Bank	9.80	9.08	8.85	9.33	6.70	8.75
4	AXIS Bank	7.07	7.30	8.16	8.17	7.93	7.73
5	Kotak Mahindra Bank	8.57	8.70	10.07	10.95	8.13	9.28



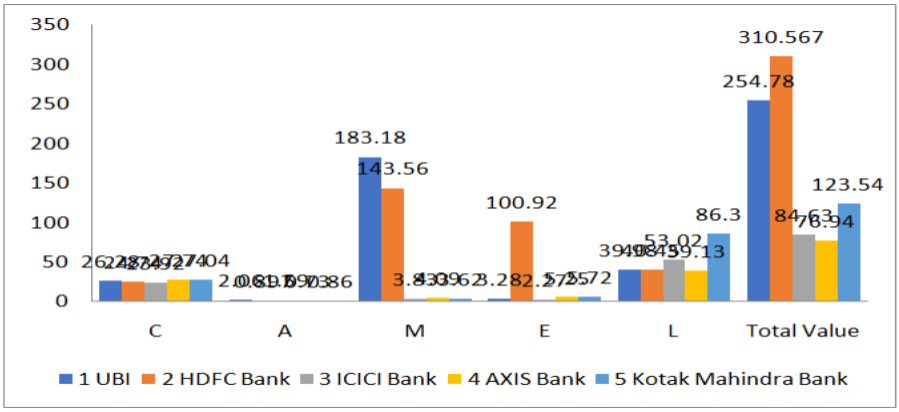
INTERPRETATION:

For companies, a large cash position is often a powerful signal of financial strength, while a small cash position is a potential warning sign. This is because cash is needed to fund operations and to pay off obligations. However, too large of a cash position can often signal waste, as the funds are generating very little return.

A Bank is generally required to have a minimum cash position which is based upon the amount of funds it holds. This ensures that the bank has the ability to pay out its account holders if they demand funding. When an investment fund has a large cash position, it is often a sign that it sees few attractive investments in the market and is comfortable sitting on the sidelines. From the above table HDFC bank has the highest cash deposit ratio of 9.68 followed by Kotak Mahindra Bank of 9.28 which is a good position for the banks. UBI, AXIS Bank and ICICI Bank have it between 7-9, which means that they may have a good position and may not have idle cash.

Table 1.1 :Total Value of CAMEL Model of 5 Banks

Sr. No.	Name of Banks	C	A	M	E	L	Total Value
1	UBI	26.28	2.06	183.18	3.28	39.98	254.78
2	HDFC Bank	24.74	0.897	143.56	100.92	40.45	310.567
3	ICICI Bank	23.92	1.59	3.83	2.27	53.02	84.63
4	AXIS Bank	27.74	0.73	4.09	5.25	39.13	76.94
5	Kotak Mahindra Bank	27.04	0.86	3.62	5.72	86.3	123.54



1st Rank : HDFC Bank
2nd Rank : UBI Bank
3rd Rank : Kotak Mahindra Bank
4th Rank : ICICI Bank
5th Rank : AXIS Bank

Now, If we compare the results with the market capitalization of the banks under study. We will come to the following conclusions.

Sr. No.	Name	Market Capitalization (Rs. Cr.(app.))
1	UBI	108675
2	HDFC Bank	100215
3	ICICI Bank	78914
4	Axis Bank	33335
5	Kotak Mahindra Bank	32016

Source: www.bseindia.com

From the above table we can see that UBI Bank has the highest market capitalization but if you check its financial performance it is not that good and is at the 2nd position. HDFC Bank has 2nd position in market cap but got the 1st position of financial performance through the results of the study. Kotak Mahindra has the lowest market capitalization but it has got the 3rd position in the financial performance through the study of CAMEL Model. Now, we can conclude that the market capitalization does not depicts the financial performance of the banks. It is merely a market reputation.

FINDINGS OF THE STUDY

1. All the five banks have succeeded in maintaining CRAR at a higher level than the prescribed level, 9%. But the Kotak Mahindra Bank has maintained highest ratio all across the duration of last five years i.e. more than 19%. It is very good sign for the bank to survive and to expanding future.
2. Gross NPA ratio has registered declining trend for all the three banks during the last five years. But Axis Bank has been successful during the last five years in managing 1.02% the level of NPA. Whereas the Kotak Mahindra Bank has maintained 1.4% which is still little. Busby and ICICI Bank is at the worst conditions having more than 3%.
3. In Management Quality, we have found that Business per Employee Ratio and Profit per Employee Ratio is 1136 crores in AXIS Bank and that of ICICI Bank is 938 cr during the last five years. The improvement shows the growth of the bank as well as efficiency of the employee, which is very good in both the banks and they will help to the bank to grow in future.
4. In Earnings Quality, the major part of income of ICICI BANK is from Interest income. Because their large part of investment is in Government Securities. A little change in Interstate will effect on it more. In comparison of that the Axis Bank has average investment in G-sec. And the same way BOI has a little more than Axis Bank.
5. The Liquidity ratios indicate better liquidity of all the banks. However, Kotak Mahindra Bank has performed throughout well, ICICI Bank has an edge over in liquidity if compared with each other according to these ratios. From the above analysis we would like to conclude that Kotak Mahindra Bank has high efficiency inters of Assets Quality, Management Quality and ICICI Bank is good in terms of Capital Adequacy and Liquidity whereas Bank of India is good in terms of Capital Adequacy.

SUGGESTIONS

In AXIS bank, debt equity ratio is continuously rising over the years which are not good so they have to increase equity or reduce debts in their capital structure. ICICI BANK has comparatively less total advance to total asset ratio.

So, bank has to give more advances in order to earn more interest. But they should have to also keep in mind the credit worthiness of the customers. ICICI BANK has highest Government Security to total investment ratio which leads to reduce their income and ultimately reduce their profitability so they have to invest another than government investment option rather than only in government securities.

ICICI BANK has highest Gross NPA ratio which is not good for the bank. They should give loans to the customers, whose credit worthiness is good.

Though their Net NPA ratios nil, they have to make more provisions in order to meet their Gross NPA which is affecting their profitability badly. In AXIS Bank Interest Income to Total Income Ratio is less.

Because they are giving fewer advances. So, in order to earn more interest income they should invest more in government approved securities and give more advances to their customers

CONCLUSION

The report makes an attempt to examine and compare the performance of the five different banks of India i.e. UBI, HDFC Bank, ICICI Bank, AXIS Bank and Kotak Mahindra Bank. The analysis is based on the CAMEL Model.

The present study has obtained ranking of selected two public and two private sector banks in terms of CAMEL variables. Ranking of commercial banks is difficult tothe extent that any type of ranking is subject to certain criticism as the ratio used for thepurpose of ranking can be interpreted in the way one likes. This method of analysis139provides simplicity, reader friendly version of presenting complex data regardingperformance of players in the banking industry. The ranking system makes judging andanalyzing the financial data of banks much simpler for the common man. Thus throughthis particular data set, it can be established that private sector banks are at the top of thelist with their performances in terms of different parameters compared to public sectorbanks.

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