

COMPARISON OF FINANCIAL PERFORMANCE OF SELECTED NATIONALISED BANKS IN INDIA

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Abstract

Aim: The main objective of the study is to comparing the financial performance of the selected nationalised banks in India

Methodology: In the present study an attempt for the comparison the financial performance of selected nationalised banks like BOB, BOI, SBI, CBI, PNB, Canara bank, Punjab and Sind bank and UCO bank. Using CAMEL Model approach from 2016 to 2021 with the help of different criteria that is Capital Adequacy, Asset Quality, Management Quality, Earning and Liquidity

Summary: It is observed through average and rank BOB was top most position bank while UCO bank was bottom most position bank through CAMEL model evaluation.

Keywords: CAMEL Model, Financial performance, Nationalised bank

1. INTRODUCTION OF THE BANKING SECTOR

The banking sector is the core position of a country's economy. It is responsible for the multiple activities of its financial sector and plays a significant role in the country's growth. It has undergone various transformations such as the establishment of new payment systems and the development of new regulations. The increasing competition and the volatility of financial markets have also raised the bar for banks. The strength of the economy depends on the efficiency of a bank. This is because, if a bank is not able to efficiently mobilize the savings of its customers, then it will not be able to provide the necessary services. For instance, it has been emphasized that the money creation function of a bank is not included in the various activities of its depositors. The operations of a bank are regulated by the Banking Regulation Act of 1934. It is a type of financial institution that accepts deposits and loans from the public. It can also withdraw funds from its customers by issuing checks, drafting orders, or otherwise.

2. LITERATURE REVIEW

Balaji, C., & Kumar, D. G. P. (2017)

The aim of the study is to compare the performance evaluation of the public and private sector banks in India based on CAMEL Model. Due to this the researcher has taken three private sector banks and three public sector banks with the data period of 2011-12 to 2015-16. The researcher analyzed that selected public sector banks having more capital adequacy ratio as per compared to the selected public sector banks.

Kumar, K. A., & Murty, A. V. N. (2017)

They have examined the financial performance of the selected public and private sector banks based on camel model. In this study the researcher was taken 2 public sector banks and 2 private sector banks with the period of 5 year 2012 to 2016. In this study the researcher examined the overall financial soundness of the selected public sector banks and private sector banks also.

Lall, M., & Agarwal, R. (2017)

They studied the analysis of selected public sector banks in India by camel model. This study was made to evaluate the performance and financial soundness of selected public sector banks. The researcher has taken 6 public sector banks with the data of 4 years (2013 to 2016). This study is a descriptive research based on the analytical research design. The researcher also has taken statistical tool method with CAMEL method. At last the study reveals that SBI stands at first rank having their excellent performance while Canara bank has secured last rank in terms of performance.

Sonaje, V. H., & Nerlekar, S. S. (2017)

They examined the financial performance analysis of selected banks using CAMEL Approach. The researcher has taken the performance of 11 commercial banks selected in India during the period of (2013 to 2017) using camel model. The sample of the top 11 commercial banks selected through market capitalization. The

researcher examined that the study can be extended for all public sector, private sector and foreign banks for better analysis of banking Industry.

3. RESEARCH METHODOLOGY

3.1. Objective of the study

The main objective of the study is to comparing the financial performance of the selected nationalised banks in India.

Table No.3.1. Research Methodology of the Study

Research Design	In this research paper CAMEL MODEL is used for the performance evaluations of the banks with the help of different criteria that is Capital Adequacy, Asset Quality, Management Quality, Earning and Liquidity. The present study is a descriptive research based on the ratio of the CAMEL MODEL.
Data Collection	Secondary source of data will be utilizing for this proposed research study. Secondary data have been collected from Annul Reports of Selected Nationalised banks.
Period of Study	The Study covers periods of six years from 2016 to 2021.
Sample Decision	The Banks here under are selected on Randomly for the period of 2016-2021 <ul style="list-style-type: none"> ✚ SBI ✚ BOB ✚ BOI ✚ Canara Bank ✚ CBI ✚ Punjab & Sind Bank ✚ PNB ✚ UCO Bank

4. ANALYSIS AND DISCUSSION

4.1. Capital Adequacy

It is the important for the bank to maintain the trust of the depositors to prevent from the bank to going bankrupt. Bank show the overall the financial conditions and for achieve the additional capital to show their ability of management.

The ratio of the Capital Adequacy is as below:

Table No. 4.1. Capital to Risk Asset Ratio (%)

Year/Bank	SBI	BOB	BOI	Canara Bank	CBI	Punjab & Sind Bank	PNB	UCO Bank
2016	13.12	13.17	12.01	11.08	10.41	10.91	11.28	9.63
2017	13.11	12.24	12.14	12.86	10.95	11.05	11.66	10.93
2018	12.6	12.13	12.94	13.22	9.04	11.25	9.2	10.94
2019	12.72	13.42	14.19	11.9	9.61	10.93	9.73	10.7
2020	13.06	13.3	13.1	13.65	11.72	12.76	14.14	11.7
2021	13.74	14.99	14.93	13.18	14.81	17.06	14.32	13.74
Mean	13.06	13.21	13.22	12.65	11.09	12.33	11.72	11.27
Rank	3	2	1	4	8	5	6	7

In the table no.4.1.the Bank of India is ranked first with the highest CRAR of 13.22%, followed by the Bank of Baroda. Central Bank of India scored the lowest position among the selected nationalized bank with lowest CRAR of 11.09%.

4.2. Asset Quality

To measure the strength of the bank the important parameter is the quality of assets. The main motive of this measuring of the asset quality is to reduce the non-performing assets so this indicated the advances of the bank which generate by the interest income.

The ratio of the Asset Quality is as below:

Table. No. 4.2. Net NPA to Net Advances Ratio (%)

Year/Bank	SBI	BOB	BOI	Canara Bank	CBI	Punjab & Sind Bank	PNB	UCO Bank
2016	3.81	5.06	7.79	6.42	7.36	4.62	8.61	9.09

2017	3.71	4.72	6.9	6.33	10.2	7.51	7.81	8.94
2018	5.73	5.49	8.26	7.48	11.1	6.93	11.24	13.1
2019	3.01	3.33	5.61	5.37	7.73	7.22	6.56	9.72
2020	2.23	3.13	3.88	4.22	7.63	8.03	5.78	5.45
2021	1.5	3.09	3.35	3.82	5.77	4.04	5.73	3.94
Mean	3.33	4.14	5.97	5.61	8.3	6.39	7.62	8.73
Rank	1	2	4	3	7	5	6	8

Table no. 4. 2. Shows that the least average of 3.33% is on the top position by State bank of India followed by Bank of Baroda with 4.14% on second position. UCO Bank considered as the lowest position with highest average of 8.73%.

4.3. Management Efficiency

This factor is another important element of the CAMEL Model. This Management Efficiency is used for taking the crucial management decision of the bank depended on the risk factor with affect the bank for the future perspective.

The ratio which used to the evaluation of the management efficiency is as below:

Year/Bank	SBI	BOB	BOI	Canara Bank	CBI	Punjab & Sind Bank	PNB	UCO Bank
2016	14.11	16.8	17.96	14.44	11.95	16.2	13.59	13.81
2017	16.24	17.49	19.4	14.43	11.81	15.34	14.17	13.48
2018	16.7	17.66	18.29	14.81	12.71	18.18	14.74	12.74
2019	18.77	18.88	19.4	17.07	12.78	18.87	16.8	13.69
2020	21.05	18.77	18.39	17.63	14.06	16.98	18.14	13.7
2021	23.73	19.57	19.94	18.14	15.6	18.49	18.85	14.7
Mean	18.43	18.2	18.9	16.09	13.15	17.34	16.05	13.69
Rank	2	3	1	5	8	4	6	7

In the table no.4.3.It show that Bank of India has the highest average position with 18.90 followed by the State bank of India with 18.43 has second position. The lowest average position of Central Bank of India has 13.15.

4.4. Earning Quality

To determine the ability of the bank the earning quality is considered to be the important factor to earn consistently. Due to this factor the future growth of the bank and profitability shown through the earning quality ratio

Year/Bank	SBI	BOB	BOI	Canara Bank	CBI	Punjab & Sind Bank	PNB	UCO Bank
2016	0.46	-0.80	0.94	-0.52	-0.48	0.34	-0.61	-1.25
2017	0.41	0.2	-0.24	0.2	-0.8	0.2	0.19	-0.75
2018	-0.19	-0.34	-0.91	-0.75	-1.61	-0.69	-1.6	-1.88
2019	0.02	0.06	-0.84	0.06	-1.7	-0.47	-1.25	-1.84
2020	0.38	0.06	-0.43	-0.32	-0.35	-0.91	0.04	-1.96
2021	0.48	0.07	0.28	0.23	-0.26	-2.55	0.15	0.06
Mean	0.26	-0.12	-0.61	-0.18	-0.79	-0.68	-0.51	-1.27
Rank	1	2	5	3	7	6	4	8

The table shows that except one bank all the other show negative average return on asset. State bank of India show the highest average of 0.26% followed by Bank of Baroda (-0.12) and Canara bank (-0.18).

4.5. Liquidity

The last component of the Camel Model is liquidity. Risk of the liquidity is said to be jinxed for the goodwill as well as the image of the Banking sector. To reduce the barrier of liquidity risk has to take the proper care of the growth of the increase in the funds of the bank which are invested in that place which can generate the high return of the securities for profit generation with this element of the liquidity.

The ratio of the liquidity is as below:

Year/Bank	SBI	BOB	BOI	Canara Bank	CBI	Punjab & Sind Bank	PNB	UCO Bank
2016	7.41	19.94	16.14	10.26	5.09	4.78	11.33	7.58
2017	6.36	21.65	15.31	10.08	23.63	4.75	12.26	7.82
2018	5.55	12.9	15.73	8.09	12.02	6.27	12.47	6.83
2019	6.04	11.43	15.16	9.52	9.43	6.07	9.72	10.6

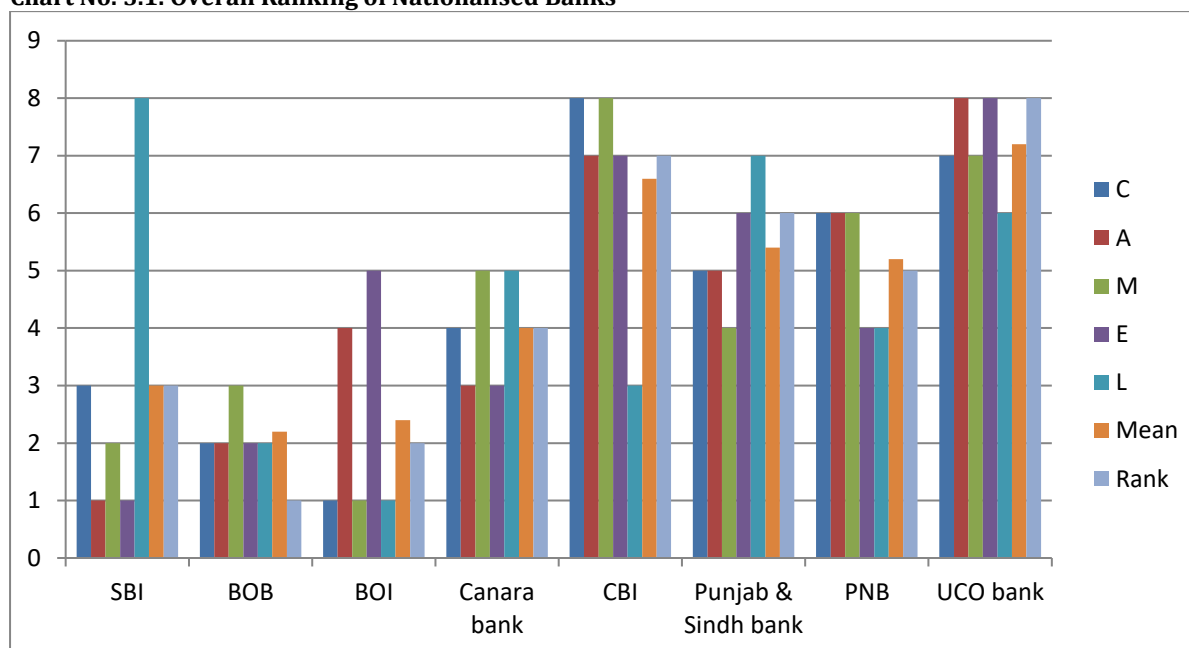
2020	6.35	10.53	13.16	9.43	10.11	9.53	9.15	7.55
2021	7.57	10.42	17.44	15.46	10.55	7.55	8.83	9.32
Mean	6.55	14.48	15.51	10.47	11.81	6.49	10.63	8.28
Rank	8	2	1	5	3	7	4	6

In the above table show Bank of India has the highest average of liquidity with 15.51% followed Bank of Baroda (14.48%) and Central Bank of India (11.81%) on second and third position respectively. While the State bank of India has the lowest position of liquidity with 6.55%.

5. OVERALL RANKING OF THE SELECTED NATIONALISED BANK

Bank Name	C	A	M	E	L	Mean	Rank
SBI	3	1	2	1	8	3	3
BOB	2	2	3	2	2	2.2	1
BOI	1	4	1	5	1	2.4	2
Canara bank	4	3	5	3	5	4	4
CBI	8	7	8	7	3	6.6	7
Punjab & Sind bank	5	5	4	6	7	5.4	6
PNB	6	6	6	4	4	5.2	5
UCO bank	7	8	7	8	6	7.2	8

Chart No. 5.1. Overall Ranking of Nationalised Banks



In order to evaluate the overall composite ranking for the performance of the selected nationalized banks results are to be calculated in the presented table no.5.1. the study period of 6 years (2016-2021). In this study it is found that as per capital adequacy parameter BOI is at the top position, while CBI at the lowest position. Under the asset quality parameter SBI held to be the top most positional ranking bank, while UCO bank has the lowest rank. Under management efficiency parameter the BOI considered as the top ranking bank, while CBI is as the lowest ranking bank. Under earning quality parameter, it is observed that SBI got the highest rank while UCO bank got the lowest rank. Lastly, under liquidity parameter BOI is at the top position, whereas SBI is at the last position bank.

In this overall ranking the study found that the BOB is considered as the first position bank with the average 2.2 followed by BOI with overall composite ranking average of 2.4. While UCO bank hold the last position with the overall ranking average of 7.2.

6. CONCLUSION

This study expose that the BOB stands at the first positional ranking bank having great achievement followed by BOI & SBI, while UCO bank has the last positional ranking bank in terms of the overall performance of the

bank. UCO bank has focus on the improvement of its capital adequacy, asset quality, management efficiency and earning. The SBI is the only bank which has the great efficiency in the asset quality and earning, but having least position in liquidity. So SBI has given more focus on the improvement of the liquidity risk through increase in the investment in the high earning securities for the profitability and the performance of the bank. The present study portray that the CAMEL Model is a ratio based model which is used for the comparing and evaluate the overall financial performance ranking of the banks.

7. REFERENCES

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