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Financial Performance of Selective Indian Public Sector Banks

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Abstract
Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the public sector banks in 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.

Keywords: Public sector Banks, Performance Evaluation, Camel Model.

Introduction
Banking sector is one of the fastest growing sectors in India. Today's banking sector becoming more complex. Evaluating Indian banking sector is not an easy task. There are so many factors, which need to be taken care while differentiating good banks from bad ones**...**

To evaluate the performance of banking sector, have chosen the CAMEL model which measures the performance of banks from each of the important parameter like Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity. After deciding the model, have chosen selective six public sector banks for the study. The banks are Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank, Syndicate Bank, and Union Bank of India.

Statement of the Problem
Today banking business is diversified from traditional approaches to individual approach. With the shift in customer preference from deposits in banks to investments, ever increasing competition and number of banking facilities to customers at their doorstep, there is tendency that the profit margins of the banks are divided and declined. Now-days almost all banks in India have started retail banking products and value added services along with their traditional banking products. It has become imperative for all the banks to retain the old customers and attract the new customers by providing more value added services and banking incentives under single window system as well as to find alternative ways to generate more income.

Scope of the Study
In order to sustain their competitiveness, banks must focus on their performance. Currently study will be useful to vast spectrum of nationalized banks operating in India to draw a bird’s eye-view on their performances based on CAMEL rating and the recommendations proposed in this study can be used for the strengthening nationalized banks performances in India.

Objectives of the Study
- To draw an overall analysis on the financial efficiency of Indian public sector banks in India with the support of CAMEL model and to draw reasonable conclusion and recommendation.

Methodology of the Study
In general financial soundness and infer about convergence of the commercial banks operating in India, researcher have used a very simplified approach using internationally accepted CAMEL rating parameters. CAMELS are an acronym for five measures (capital adequacy, asset quality, management soundness, earnings and liquidity). The analysis the five indicators which reflect the financial soundness of the Public Sector banks for a period of 10 years 2004-2005 to 2013-14.

Sources of Data
The study is based on secondary data. The information required for study was collected through the annual report and other relevant information from the banks. The researcher has gone through various journals, newspapers etc., for obtaining information.

Tools for Analysis
The researcher has analyzed the CAMEL Model to evaluate the performance of the banks. With the help of some ratio analysis.
- C-Capital Adequacy
- A-Asset Quality
- M-Management
- E-Earning and profitability
- L- Liquidity

Period of Study
The study covers the period of five years from 2004-2005 to 2013-2014 in order to evaluate the performance of selective Indian public sector bank through CAMEL model analysis

Limitations of the Study

- The study was limited to six Indian public sector banks.
- The study was depended only for five years data.

Review of Literature

- HaseebZaman Babar and GulZeb (2011) have evaluated the "CAMEL Rating System forBanking Industry in Pakistan". Main aim of the study is to answer, does CAMELS system provide similarrating as Pakistan Credit Rating Agency (PACRA) system in assessing the performance of banks inPakistan. The researcher has selected seventeen banks from Pakistan and compared the CAMELS rankingwith PACRA for the year 2007. It is concluded that the rating published by PACRA show almost all banks are financially strong and stable where as results of CAMELS are completely different from these rating, so there is no similarities in the results of these rating system.
- Chaudhry and Singh (2012) analyzed the impact of the financial reforms on the soundness of Indian Banking through its impact on the asset quality. The study identified the key players as risk management, NPA levels, effective cost management and financial inclusion.

Reference

1. Babar HaseebZaman, ZebGul, (2011), "CAMEL Rating System for Banking Industry in Pakistan", UMEA School of Business and Economics.
2. Chaudhry,Sahila and Singh, Sultan (2012): "Impact of Reforms on the Asset Quality in Indian Banking", International Journal of Multidisciplinary Vol. 5(2): pg. 17-24

Camel Model

RBI has introduced a rating methodology technique to judge the financial viability of banks is known as CAMEL (Capital adequacy, Asset Quality, Management Performance, Earning Performance, Liquidity) Mode. CAMEL model also can be used by making use of the Publicly available accounting data. In short, CAMEL model is designed to reflect a bank's Financial performance.

Analysis

Table 1: Ratio of Advances to Total Assets (Values in Per Cent)

Years	Bank of Baroda	Bank of India	Canara Bank	Punjab National Bank	Syndicate Bank	Union Bank of India	Average of Bank Group
2004-05	45.85	58.46	54.78	47.85	51.29	55.38	52.27
2005-06	52.84	58.05	59.80	51.37	59.71	59.89	56.94
2006-07	58.42	60.02	59.35	59.47	57.88	60.76	59.32
2007-08	59.41	63.45	59.4	60.04	59.79	59.92	60.34
2008-09	63.20	63.37	62.93	62.65	62.59	59.97	62.45
2009-10	62.89	61.28	63.96	62.91	65.02	61.14	62.87
2010-11	63.81	60.68	63.22	63.99	68.21	63.98	63.98
2011-12	64.24	64.71	62.14	64.12	67.75	67.84	65.13
2012-13	59.98	63.93	58.73	64.47	68.60	66.73	63.74
2013-14	63.16	63.60	62.41	64.85	68.02	65.89	64.66
Mean	59.38	61.76	60.67	60.17	62.89	62.15	61.17
SD	5.88	2.39	2.79	5.91	5.72	3.86	4.06
CV	9.91	3.87	4.60	9.82	9.10	6.22	6.63
CGR	2.74	1.00	0.90	3.01	2.91	1.89	2.05

Source: Annual Reports of RBI

Inference

From the above data analysis it has been inferred that, at the fiscal year 2004-05 the advances to total assets ratio of Punjab national bank was 47.85 and it had increased to 64.85 per cent by the end of the year 2013-14. The advances to total assets ratio had registered maximum growth of 3.01 per cent, this indicates that PNB is highly dependent on the debts. Further it has been observed that the advances to total assets ratio of Canara bank had increased from 54.78 per cent to 62.41 per cent by the end of the study period 0.90 between the years 2004-05 to 2013-14. The advances to total assets ratio of Canara bank had registered lowest growth of 0.90 per cent between the ten years study period, this minimal growth rate indicates the financial stability of the respective bank.

II. Asset Quality (Quality of Assets)

Table 2: Ratio of Net Npa to Net Advances (Values in Per cent)

Years	Bank of Baroda	Bank of India	Canara Bank	Punjab National Bank	Syndicate Bank	Union Bank of India	Average of Bank Group
2004-05	1.45	2.80	1.88	0.20	1.56	2.64	1.76
2005-06	0.87	1.49	1.12	0.29	0.86	1.56	1.03
2006-07	0.60	0.95	0.94	0.76	0.76	0.96	0.83
2007-08	0.47	0.52	0.84	0.64	0.97	0.17	0.60
2008-09	0.31	0.44	1.09	0.17	0.77	0.34	0.52
2009-10	0.34	1.31	1.06	0.53	1.07	0.81	0.85
2010-11	0.35	0.91	1.11	0.85	0.97	1.19	0.90
2011-12	0.54	1.47	1.46	1.52	0.96	1.70	1.28

2012-13	1.28	2.06	2.18	2.35	0.78	1.61	1.71
2013-14	1.52	2.00	1.96	2.85	1.56	2.33	2.04
Mean	0.77	1.40	1.36	1.02	1.03	1.33	1.15
SD	0.48	0.74	0.48	0.93	0.30	0.80	0.52
CV	61.58	52.97	34.93	91.49	29.19	59.98	45.32
CGR	1.10	2.57	5.00	30.57	0.49	5.39	5.43

Source: Annual Reports of RBI

Inference

The above table clearly indicates that, the net NPA to net advances ratio of Punjab national bank had registered significant growth of 30.57 per cent per annum and the ratio had increased from 0.20 per cent to 2.85 per cent between the years 2004-05 to 2013-14. Followed by it has been observed that, Syndicate bank had registered growth of 0.49 per cent. The net NPA to net advances ratio of Syndicate bank was 1.56 per cent at the beginning and by the end of the study period 2013-14.

III Management Efficiency (Quality of Operational Management)

Table 3: Business per Branch (Amount in `.lakhs)

Years	Bank of Baroda	Bank of India	Canara Bank	Punjab National Bank	Syndicate Bank	Union Bank of India	Average of Bank Group
2004-05	44.95	50.32	59.76	39.63	38.33	47.66	46.78
2005-06	55.32	59.41	74.22	46.91	45.64	58.77	56.71
2006-07	74.16	74.27	89.68	56.73	58.41	64.55	69.63
2007-08	90.94	92.58	97.14	68.41	72.74	75.10	82.82
2008-09	111.90	106.68	114.07	80.35	84.26	87.64	97.48
2009-10	130.83	120.54	128.05	86.22	85.40	98.39	108.24
2010-11	154.95	142.77	149.99	105.59	92.40	112.21	126.32
2011-12	168.36	138.71	150.94	116.56	99.56	119.84	132.33
2012-13	183.25	153.49	155.86	117.16	109.48	128.92	141.36
2013-14	183.48	156.52	165.52	120.05	110.62	128.63	144.14
Mean	119.81	109.53	118.52	83.76	79.68	92.17	100.58
SD	52.21	39.12	37.21	30.32	25.44	29.92	35.58
CV	43.58	35.72	31.39	36.20	31.93	32.46	35.37
CGR	17.71	13.85	11.79	13.82	12.25	12.10	13.64

Source: Annual Reports of RBI

Inference

From the above empirical data analysis it has been inferred that, the business per branch ratio of Bank of India had rose from 50.32 lakhs in 2004-05 to 156.52 lakhs by the end of the year 2013-14. The business per branch ratio of BOI has recorded 13.85 per cent growth rate per annum. Followed by, it has been observed that the business per branch ratio of Canara bank had registered growth of 11.79 per cent and the ratio had rose from `.59.76 lakhs to `.165.52 lakhs between the years 2004-05 to 2013-14.

III. Earnings Ratio/Profitability (Quality of Profitability)

Table 4: Ratio of Burden to Total Assets (Values in Per Cent)

Years	Bank of Baroda	Bank of India	Canara Bank	Punjab National Bank	Syndicate Bank	Union Bank of India	Average of Bank Group
2004-05	0.75	0.86	0.54	1.14	1.41	0.75	0.91
2005-06	1.21	0.90	0.85	1.29	1.54	1.12	1.15
2006-07	1.07	0.82	0.75	1.48	1.02	0.82	0.99
2007-08	0.61	0.33	0.33	0.85	0.62	0.24	0.50
2008-09	0.40	0.02	0.38	0.58	0.72	0.51	0.44
2009-10	0.04	0.42	0.26	0.44	0.64	0.30	0.35
2010-11	0.57	0.78	0.54	0.82	1.10	0.89	0.78
2011-12	0.43	0.44	0.49	0.67	1.03	0.62	0.61
2012-13	0.47	0.37	0.51	0.84	1.01	0.68	0.65
2013-14	0.44	0.47	0.48	0.93	0.85	0.80	0.66
Mean	0.60	0.54	0.51	0.90	0.99	0.67	0.70
SD	0.34	0.29	0.18	0.32	0.31	0.27	0.26
CV	56.79	53.03	34.87	35.49	30.84	39.83	36.25
CGR	-10.60	-5.39	-3.38	-5.41	-3.49	-0.55	-4.82

Source: Annual Reports of RBI

Inference

From the above data discussion it has been inferred that, the burden to total assets ratio of Union bank of India had registered -0.55 per cent growth rate per annum and the ratio had increased from 0.75 per cent to 0.80 per cent between the years 2004-05 to 2013-14. Followed by, the burden to total assets ratio of Bank of Baroda was 0.75 per cent in 2004-05 and it had reduced to 0.44 per cent by the end of the year 2013-14. The burden to total assets ratio of Bank of Baroda had registered negative growth of -10.60 per cent between the years 2004-05 to 2013-14.

IV. Liquidity Ratio (Quality of Liquidity)

Table 5: Cash Deposit Ratio (Values in Per Cent)

Years	Bank of Baroda	Bank of India	Canara Bank	Punjab National Bank	Syndicate Bank	Union Bank of India	Average of Bank Group
2004-05	3.33	4.95	5.15	9.17	5.81	5.90	5.72
2005-06	3.56	5.95	6.78	19.55	5.87	5.92	7.94
2006-07	5.13	6.00	6.39	8.85	8.36	6.95	6.95
2007-08	6.16	7.83	8.67	9.17	10.90	9.10	8.64
2008-09	5.51	4.70	5.37	8.13	10.82	6.48	6.84
2009-10	5.62	6.79	6.70	7.35	6.14	7.33	6.66
2010-11	6.50	7.29	7.49	7.60	7.70	8.70	7.55
2011-12	5.63	4.71	5.44	4.87	5.58	5.22	5.24
2012-13	2.84	5.75	4.33	4.57	4.37	4.08	4.32
2013-14	3.27	4.00	5.27	4.93	5.99	6.19	4.94
Mean	4.76	5.80	6.16	8.42	7.15	6.59	6.48
SD	1.36	1.24	1.30	4.30	2.24	1.52	1.39
CV	28.54	21.32	21.03	51.12	31.36	23.03	21.48
CGR	-0.66	-1.93	-2.37	-11.10	-3.23	-2.17	-4.39

Source: Annual Reports of RBI

Inference

It is evident from the above data analysis that, at the beginning of the financial year 2004-05 the cash deposit ratio of BOB was 3.33 per cent and it had reduced to 3.27 per cent by the end of the year 2013-14. The cash deposit ratio of BOB had registered negative growth rate of -0.66 per cent per cent, but its performance is comparatively better than the other sample banks considered. Followed by, it has been observed that the cash deposit ratio of PNB had registered negative growth of -11.10 per cent and the ratio was 9.17 per cent in 2004-05 which had reduced to 4.93 per cent by the closure of the study period 2013-14.

Findings

- The fiscal year 2004-05 the advances to total assets ratio of Punjab national bank was 47.85 and it had increased to 64.85 per cent by the end of the year 2013-14. The advances to total assets ratio had registered maximum growth of 3.01 per cent, this indicates that PNB is highly dependent on the debts.
- Indicates that, the net NPA to net advances ratio of Punjab national bank had registered significant growth of 30.57 per cent per annum and the ratio had increased from 0.20 per cent to 2.85 per cent between the years 2004-05 to 2013-14.
- The business per branch ratio of Bank of India had rose from 50.32 lakhs in 2004-05 to 156.52 lakhs by the end of the year 2013-14. The business per branch ratio of BOI has recorded 13.85 per cent growth rate per annum.
- It has been inferred that, the burden to total assets ratio of Union bank of India had registered -0.55 per cent growth rate per annum and the ratio had increased from 0.75 per cent to 0.80 per cent between the years 2004-05 to 2013-14.
- It is evident from the data analysis that, at the beginning of the financial year 2004-05 the cash deposit ratio of BOB was 3.33 per cent and it had reduced to 3.27 per cent by the end of the year 2013-14.

Conclusion

Due to radical changes in the banking sector in the recent years, the banks all around the world have improved their supervision quality and techniques. Various studies have been conducted in India as well on various banks using CAMEL framework. Different banks are ranked according to the rating obtained by them on the five parameters. The results show that there is a statistically significant difference between CAMEL ratios of selective public sector banks in India, thus, signifying that the overall performance of selective public sector banks is different. Also, it can be concluded that the banks with least ranking need to improve their performance to come up to the desired standards with providing service to public.

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