Evaluation Performance Of New Private Sector Banks: An Applicaton Of Camel Model

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Abstract

In this study CAMEL rating system has been adopted for measuring overall health and financial status of new private sector Banks. The CAMEL rating system provides a means to categorize Banks, based on the overall health, financial status and measurement of financial, managerial, operational and complying performance. Under CAMEL rating system, Banks are rated based on the performance in five areas namely, Capital adequacy (C), Assets Quality (A), Management Efficiency (M), Earnings Quality (E) and Liquidity (L). From the analysis, it can be concluded that the new Private sector Banks have succeeded in maintaining capital adequacy ratio at higher level than the prescribed level (i.e. more than 12 percent) during the study period. The asset quality ratios have registered a declining trend. Thus it indicates for improvement in the asset quality position of new Private sector banks during the periods. The management efficiency ratio has registered trend during the study period. This shows the average earning per employee ratio of Rs.9.574 lac per employee. The earning quality measured in terms of ratio of operating profit to average working fund and net profit to average assets shows that Private Banks have out-performed new Private sector banks during the study period. The liquidity ratio indicated better liquidity position of new Private sector banks during the study period.

INTRODUCTION

A sound financial system is indispensable for a healthy and vibrant economy. The banking sector constitutes a predominant component of the financial services industry. The performance of any economy to a large extent is dependent on the performance of the banking sector. The banking sector's performance is seen as the replica of economic activities of the nation as a healthy banking system acts as the bedrock of social, economic and industrial growth of a nation. Banking institutions in our country have been assigned a significant role in financing the process of planned economic growth. During the past six decades since independence, the banking sector has witnessed significant changes and has surely come a long way from the days of nationalization during early 1970s to the advent of liberalization, privatization and globalization, in the post-1991 era. The flurry of reforms witnessed over the last one and half decade has brought about significant changes in the banking arena in the country. Leveraging on their new found tech-savvy and increased thrust on product/service innovation, the banks in the country witnessed a phenomenal growth in the last few years as the economic growth moved up into top gear to be amongst top in the world.

The present supervisory system in banking sector is a substantial improvement over the earlier system in terms of frequency, coverage and focus as also the tool employed. Majority of the Basel Core Principles for effective banking supervision have already been adhered to and rest is at the stage of implementation. Two supervisory rating models

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based on CAMELS (Capital Adequacy, Assets Quality, Management, Earning, Liquidity, Systems and Controls) and CACS (Capital Adequacy, Assets Quality, Compliance, Systems and Controls) factors for rating of Indian commercial Banks and Foreign Banks operating in India respectively, have been worked out on the lines recommended by Padmanabhan Working Group (1995). These ratings would enable the RBI to identify the banks whose condition warrants a special supervisory attention (Bodla and Verma, 2006).

Two decades have elapsed since the initiation of banking sector reforms in India. Over this period, the banking sector has experienced a paradigm shift. Hence, it is high time to make performance appraisal of this sector. Accordingly, a framework for the evaluation of the current strength of the system, and of operations and the performance of the banks has been provided by Reserve Bank's measuring rod of 'CAMELS'.

Assessment of financial health (CAMEL Model)

It is usual to measure the performance of banks using financial ratios which offer a number of criteria such as profits, liquidity, assets quality, attitude towards risk and management strategies etc. In the early 1970, Federal Regulators in USA developed the CAMEL rating system to classify a bank's overall condition. In 1979, the Uniform financial Institution Rating System adopted to provide Federal Bank Regulator Agencies with a framework for rating financial condition and performance of individual banks. Since then use of CAMEL factors in evaluating the banks financial health has become wide spread among the regulators. Under CAMEL rating system, a bank was assigned rating based on the performance in five areas:

Capital Adequacy (C), Assets Quality (A), Management Efficiency (M), Earnings Quality (E) and Liquidity (L).

As a whole the CAMEL rating which is determined after an onsite examination provides a means to categorize banks based on their overall health, financial status and measurement of banks financial, managerial, operational and complying performance. It is supposed to allow regulators to identify banks before failures happen and takes corrective actions.

STATEMENT OF THE PROBLEM

The first step towards rating of banks in India was taken up in 1995, when the Reserve Bank of India established the S Padmanabhan Committee to take a look at the banking Supervision. S Padmanabhan Committee recommended that Banking supervision should focus on the parameters of the Financial Soundness, Managerial and Operational Efficiency and firmness. The Padmanabhan Committee recommended 5 points rating, which was based upon the CAMELS Model. Depositor protection and systemic risk are the two main reasons that are normally cited for putting in place a system of regulation and supervision of banks. While the safety nets are triggered during crisis situations, supervision plays a vital role in preventing the occurrence of a crisis situation or bank failure.   .

Under this background the following questions are raised in relation to the new Private sector bank performance.

- Whether new private sector banks are able to retain their market share and profit margins amidst the identified competition through risk taking activities?

- Whether the wide spread activities promote efficiency in using resources effectively.

- Whether they are reliable? and

- What about their overall performance?

Under this environment, the researcher has considered it necessary to study financial performance of these banks with the following objectives:

OBJECTIVES OF THE STUDY

The following are the specific objectives of the present study:

1. To assess the nature of financial efficiency and review new Private sector banks on CAMEL model.

2. To analyze the financial position of the new private sector banks in India using CAMEL model.

SAMPLE FOR THE STUDY

Sample for the study out of the universe of new private sector banks though selected is restricted to only five banks based on their market capital and availability of data. For the present study, the sample as a whole is taken irrespective of their size to see to what extent they are profitable. The sample banks are presented in table 1.

Table 1 : Sample Banks

S.No.	Company Name	Market Capital (Rs. Cr)
1	AXIS Bank	142,595.09
2	ICICI Bank	183,368.14
3	HDFC Bank	280,178.28
4	IndusInd Bank	54,645.94
5	YES Bank	33,772.65

Source: bseindia.com, Moneycontrol.com.

METHODOLOGY

CAMEL is, basically a ratio-based model to evaluate the performance of banks under various criteria. It is an instrument to rate/rank the banks. The present study is a descriptive research study based on analytical research design. The data of the sample Banks for a period of 2005-2014 have been collected from the Annual reports published by the banks. A sample of top five private sector banks based on their market capitalization viz, AXIS Bank, Industrial Credit Investment Corporation of India (ICICI), Housing Development Financial Corporation (HDFC), IndusInd Bank and Yes Bank is taken for this study. In the present study, following twenty financial ratios under CAMEL Model have been used for the analysis of Financial Performance. Under this model, the rating of individual banks is done along five key parameters- Capital Adequacy, Asset Quality, Management Capability, Earnings Capacity and Liquidity. For the purpose of analysis of various ratios under CAMEL Model, statistical tools such as Mean, Standard Deviation, Coefficient of variation is used. The table 2 shows various ratios of CAMEL model.

I. Capital adequacy

Capital adequacy has emerged as one of the major indicators of the financial health of a banking entity. It is important for a bank to maintain depositors' confidence and prevent the bank from going bankrupt. Capital is seen as a cushion to protect depositors and promote the stability and efficiency of financial system around the world. Capital Adequacy reflects the overall financial condition of the banks and also the ability of management to meet the need for additional capital. It also indicates whether the bank has enough capital to absorb unexpected losses. Capital Adequacy Ratio acts as an indicator of bank leverage. The following ratios measure Capital Adequacy:

Capital Adequacy Ratio

The banks are required to maintain the capital adequacy ratio (CAR) as specified by RBI from time to time. As per the latest RBI norms, the banks in India should have a CAR of 12%. It is arrived at by dividing the sum of Tier-I, Tier-II and Tier-III capital by aggregate of Risk Weighted Assets (RWA). Symbolically,

$$CAR = (Tier\text{-}I + Tier\text{-}II + Tier\text{-}III)/RWA$$

Tier-I capital includes Equity capital and Free reserves. Tier-II capital comprises of Subordinate debt of 5-

7 years tenure, Revaluation Reserves, Hybrid debt capital instruments and undisclosed reserves and Cumulative Redeemable Preference shares. Tier-III capital comprises of short-term subordinate debt. The higher the CAR, is the stronger the bank.

Table 3 indicates that, as prescribed by the capital adequacy norm, all banks taken in the sample have maintained the capital adequacy ratio of 12 per cent or more. It is obvious from the table that YES bank has maintained the average capital adequacy ratio (16.67 per cent) followed by ICICI bank (16.02 per cent), HDFC bank (14.91 per cent), AXIS bank (13.78 per cent), IndusInd Bank (13.32 per cent). The analysis of Coefficient of variation (CV)reveals that capital adequacy ratio of the sample Banks have remained consistent during the study period. Thus, it can be interpreted that these banks enjoy good financial position and have the ability to raise further additional capital if required.

Total Advances to Total Asset Ratio

Total Advances to Total Assets indicates a bank's aggressiveness in lending which ultimately results in better profitability. Higher ratio of advances to assets are preferred in comparison to a lower one. Total advances also include receivables. The value of Total Assets excludes the revaluation of all the assets. Fromtable 4, it can be interpreted that during the study period all the sample banks have a higher ratio of advances to total assets.IndusInd bank had ratio of (57.53 per cent) followed by YES bank (55.25 per cent), ICICI bank (55.09 per cent), HDFC bank (54.45 per cent), and AXIS bank (53.91 per cent). The analysis of Coefficient of variation (CV) reveals that all the banks have maintained consistency in this ratio during the study period except AXIS which registered high fluctuations in this ratio.

Debt Equity Ratio

This ratio indicates the degree of leverage of a bank. It indicates how much of the bank business is financed through debt and how much through equity. Debt-Equity ratio is arrived at by dividing total Borrowings and Deposits by Shareholders' Net worth, which includes Equity capital, and Reserves and Surplus. Higher ratio indicates less protection for the creditors and depositors in the banking system. Table 5 reveals that the average Debt-Equity ratio is the highest in IndusIndBank (0.81 per cent) followed by ICICI bank (0.80 per cent), AXIS bank (0.76 per cent), YES bank (0.47 per cent), HDFC bank (0.39). This indicates that dependency of Debt capital is much higher in IndusInd Bank, ICICI Bank and AXIS Bank during the study period. It shows that these banks are the most well leveraged banks. The analysis of Coefficient of variation (CV) indicates that this ratio registered wide fluctuations during the study period.

Government Securities to Total Investment Ratio

This ratio shows the risk involved in a bank's investment. Government Securities, are generally, considered as the most safe debt instrument, which, as a result, carries the lowest return. Since government securities are risk-free, the higher the Government Securities to Investment ratio, the lower the risk involved in a bank's investment. It is arrived at by dividing the amount invested in government securities by total investment. It is evident from the table 6 that all the banks have maintained this ratio always above 50 per cent during the study period. This indicates that all the banks are conservative i.e., they have decided preference towards free risk securities than other investment avenue. The mean government securities to total investment ratio is shown highest in IndusInd Bank (79.07 per cent) followed by HDFC Bank (74.99 per cent), YES Bank (62.54 per cent), ICICI Bank (61.10 per cent), AXIS Bank (59.65 per cent). The analysis of Coefficient of variation (CV) shows that wide fluctuations have been noticed in Government securities to total investment ratio in ICICI Bank to AXIS Bank during the study period.

II. Asset quality

The quality of assets is an important parameter to gauge the degree of financial strength. The prime motto behind measuring the assets quality is to ascertain the component of Non-Performing Assets (NPAs) as a percentage of the total assets. This indicates what types of advances the bank has made to generate interest income. Thus, assets quality indicates the type of the debtors the bank is having. The following ratios are necessary to assess assets quality:

Net NPAs to Net Advances Ratio

It is a measure of the quality of assets in a situation where the management has not provided for loss on NPAs. Net NPAs are Gross NPAs net of provisions on NPAs and interest in suspense account. In this ratio, Net NPAs are measured as a percentage of net advances. As per the international norms, a ratio of one percent is considered to be tolerable and desirable. It is seen here, that all the banks have maintain this ratio below one percent except ICICI and IndusInd Banks. It is evident from the table 7 that net NPAs to net advance the ratio is lowest in case of YES bank (0.04 percent), followed by HDFC bank (0.34 percent), AXIS bank(0.57 percent), IndusInd(1.20 percent), ICICI bank (1.27 percent). The analysis of Coefficient of variation (CV) reveals that all the banks have maintained consistency in this ratio during the study period except IndusIndBank which registered high fluctuations in this ratio. Therefore it is concluded that most of the Banks in the sample have conformed to the international norms.

Total Investment to Total Asset Ratio

Total investments to total assets indicate the extent of deployment of assets in investment as against advances. This ratio is used as a tool to measure the percentage of total assets locked up in investments, which, by conventional definition, does not form part of the core income of a bank. It is arrived at by dividing total investments by total assets. A higher ratio means that the bank has conservatively kept a high cushion of investments to guard against NPAs. Table 8 reveals that the average of

this ratio is the highest in case of AXIS bank (33.59 per cent), followed by YES bank (33.00 per cent), HDFC bank (31.09 per cent), ICICI bank (30.15 per cent), and IndusInd Bank (27.82 per cent). All the selected banks have conservatively kept a high cushion of investment to guard against NPAs. The analysis of Coefficient of variation (CV)reveals that there is moderate fluctuation in this ratio during the study period.

Net NPAs to Total Asset Ratio

It is a measure of the quality of assets in a situation where the management has not provided for loss on NPAs. Here, the Net NPAs are measured as a percentage of Total Assets. The lower the ratio, the better is the quality of advances. It shows in table 9 that during the study period the mean ratio is the highest in ICICI Bank (0.81 in per cent), followed by IndusInd Bank (0.80 in per cent), YES bank (0.78 in per cent), AXIS bank (0.47 in per cent), HDFC bank (0.39 in per cent). The analysis of Coefficient of variation (CV)shows that all the banks have moderate fluctuations in this ratio except YES bank, which registered high fluctuations in this ratio. Requiring the bank to concentrate on quality of advances.

Percentage Change in NPAs

This measure gives the movement in Net NPAs in relation to Net NPAs in the previous year. The higher the reduction in Net NPAs levels, the better is for the bank. It is given by the formula: %Change in Net NPAs = (Net NPAs at the end of the year − Net NPAs at the beginning of the year)/Net NPAs at the beginning of the year. It is evident from table 10 that selected banks, the mean percentage change in ratio is the highest in IndusInd Bank (0.41 per cent) followed by ICICI bank (0.35 per cent), AXIS bank (0.13 per cent), HDFC bank (0.10 per cent) and YES bank (0.04 per cent). The analysis of Coefficient of variation (CV)reveals that there is normal fluctuation in this ratio among the selected banks during the study period except ICICI bank fluctuated highly in this ratio. A higher ratio is not considered favorable.

III. Management efficiency ratios

Management efficiency is another vital component of the CAMEL Model that ensures the survival and growth of a bank. The ratio's in this segment involves subjective analysis and efficiency of management. The management of the bank takes crucial decisions depending on the risk perception. It sets vision and goals for the organization and sees that it is achieved. This parameter is used to evaluate management efficiency as to assign premium to better quality banks and discount poorly managed ones. The ratios used to evaluate management efficiency are described as under:

Expenditure to Total Income Ratio

A measure of what it costs to operate a piece of property compared to the income that the property brings

in. The operating expense ratio is calculated by dividing a property's operating expense by its gross operating income. Investors using the ratio can further compare each type of expense, such as utilities, insurance, taxes and maintenance, to the gross operating income, as well as the sum of all expenses to the gross operating income. It is seen in table 11 that selected banks, the mean of expenditure to total income ratio is the highest in HDFC bank (29.54 per cent), followed by YES bank (24.58 per cent), AXIS bank (23.36 per cent), ICICI bank (23.03 per cent), IndusInd Bank (21.32 percent). Thus, it can be interpreted that all the banks enjoy good financial position. The analysis of Coefficient of variation (CV) reveals that there is a moderate fluctuation in this ratio among the selected banks during the study period.

Asset Turnover Ratio

This ratio measures how efficiently a firm uses its assets to generate sales, hence a higher ratio is always more favorable. Higher turnover ratio mean the company is using its assets more efficiently. Lower ratio means that the company isn't using its assets efficiently and most likely has management or production problems.The asset turnover ratio is calculated by dividing net sales by average total assets. In table 12 it clearly shows that the mean ratio is the highest in YES bank (1.75 in per cent), followed by IndusIndBank (0.13 in per cent), HDFC bank (0.11 in per cent), ICICI bank (0.10 in per cent), AXIS bank (0.09 in per cent) during the study period. The analysis of Coefficient of variation (CV)shows that all the sample banks have fluctuations in this ratio during the study period especially YES bank, which registered very high fluctuation in this ratio.

Earnings per Employee (lakhs)

This ratio measures the efficiency of employees at the branch level. It also gives valuable inputs to assess the real strength of a bank's branch network. It is arrived at by dividing the Profit after Tax (PAT) earned by the bank by the total number of employees. The higher the ratio, higher is the efficiency of the management. The profit per employee of selected banks computed and is presented in Table 13, and it can be interpreted that YES bank favourable case of mean profit per employee (Rs.31.94 lakhs), followed by IndusInd Bank (Rs.6.20 lakhs), HDFC Bank (Rs.5.36 lakhs), AXIS Bank (Rs.3.25 lakhs), ICICI Bank (Rs.1.12 lakhs). This ratio registered very high fluctuations during the study period in all the selected banks as per CV value. It could be concluded all banks are efficient.

Business per Employee (Cr)

This tool measures the efficiency of all the employees of a bank in generating business for the bank. It is arrived at by dividing the total business by total number of employees. By business, we mean the sum of total deposits and total advances in a particular year. It evidence that table 14, the average business per employee during the study period is the highest in IndusInd bank (Rs.877.19 crores) followed by YES bank (Rs.126.62 crores), ICICI bank (Rs.89.28 crores), HDFC bank (Rs.66.60 crores), AXIS bank (Rs.11.31 crores). The analysis CV registered a high

fluctuation in this ratio during the study period especially YES Bank. The IndusInd Bank registered highest productive human assets. Increasein productivity of human assets indicates an increased financial position of the bank.

IV. Earning quality ratios

Earning quality reflects quality of a bank's profitability and its ability to earn consistently. The quality of earning is a very important criterion that determines the ability of a bank to earn consistently, going into the future. It basically determines the profitability of the bank. It also explains the sustainability and growth in earnings in the future. This parameter gains importance in the light of the argument that much of bank's income is earned through non-core activities like investments, treasury operation, and corporate advisory service and so on. The following ratios try to assess the quality of income in terms of income generated by core activity-income from lending operation. They are,

Return on Asset

This ratio measures return on assets employed or the efficiency in utilization of assets. It is arrived at by dividing the net profit by average assets, which is the average of total assets in the current year and previous year. Thus, this ratio measures the return on assets employed. Higher ratio indicates better earning potential in the future. It is evident from table15, that among the selected banks, the mean of net profit to average assets ratio is the highest in HDFC bank (1.56 per cent), followed by YES bank (1.51 per cent), AXIS bank (1.46 per cent), ICICI bank (1.25 per cent) and IndusInd bank (1.06 percent). This table shows that all the selected banks should generate sufficient returns, of their average assets. The analysis of CV reveals that there is a moderate fluctuation in this ratio among the selected banks during the study period.

Interest Spread Ratio

Net Interest Margin being the difference between the interest income and the interest expended as a percentage of total assets. It is an important measure of a bank's core income (income from lending operations). A higher spread indicates the better earnings given the total assets. Interest income includes dividend income and interest expended included interest paid on deposits, loan from the RBI, and other short-term and long term loans. It is evident from table 16 that among the selected banks, the average spread to total assets ratio is the highest in HDFC bank (6.95 per cent), followed by IndusInd bank (5.62 per cent), AXIS bank (5.22 per cent), ICICI bank (5.21 per cent). It is noticed that there is a moderate fluctuation and better earnings given the total assets in this ratio during the study period. In this table it is seen thatthe selected banks are having a good income yield in the form of interest. All the banks were utilizing efficiently their total assets.

Operating Profit to Working Fund Ratio

This ratio indicates how much a bank can earn from its operations net of the operating expenses for every rupee spent on working funds. This is arrived at by dividing the operating profit by average working funds. Average Working Funds (AWF) are the total resources (total assets or liabilities) employed by a bank. It is daily average of total assets / liabilities during a year. The better utilization of funds will result in higher operating profit. Thus, this ratio will indicate as seen in table 17 how a bank has employed its working funds in generating profit. The average of this ratio is the highest in HDFC bank (3.05 per cent), followed by AXIS bank (2.82 per cent), ICICI bank (2.53 per cent), YES bank (2.50 per cent) and IndusInd bank (2.13 per cent). The table also shows that all the selected banks should generate sufficient return from their working capital. The analysis of CV shows that IndusInd bank has high fluctuation in this ratio. All other banks have made better utilization of their funds.

Interest Income to Total Income Ratio

Interest income is a basic source of revenue for banks. The interest income to total income indicates the ability of the bank to generate income from its lending. This ratio measures the income from lending operations as a percentage of the total income generated by bank in a year. Interest income includes income on advances, interest on deposits with the RBI, and dividend income. It is evident from table 18 among the selected banks, that the mean of interest income to total income ratio is the highest in IndusInd bank (83.88 per cent), followed by HDFC bank (82.25 per cent), YES bank (80.40 per cent), AXIS bank (79.46 per cent), ICICI bank (78.66 per cent). The analysis of CV reveals that there is a moderate fluctuation in this ratio among the selected banks during the study period. We conclude that all the banks have a secure revenue income.

V. Liquidity ratios

Liquidity is very important for any organization dealing with money. For a bank, liquidity is a crucial aspect which represents its ability to meet its financial obligations. It is of utmost importance for a bank to maintain correct level of liquidity, which will otherwise lead to declined earnings. Banks have to take proper care in hedging liquidity risk, while at the same time ensuring that a good percentage of funds are invested in higher return generating investments, so that banks can generate profit while at the same time provide liquidity to the depositors. Among a bank's assets, cash investments are the most liquid. A high liquidity ratio indicates that the bank is more affluent. The ratios suggested to measure liquidity under CAMEL Model are as follows:

Current Ratio

A business' current ratio is equal to its current assets divided by its current liabilities. More expenditure tends to increase a company's total liabilities, which decreases the current ratio. The current ratio is an indicator of how well a company can satisfy its current liabilities with its current assets. Table 19 indicates that, as prescribed

international norms, a ratio of 2.1 per cent is considered to be tolerable and desirable. All the banks should maintain this ratio below of one percentage. It is observed from the table that the HDFC bank (0.10 per cent) followed by YES bank (0.06 per cent), HDFC bank (0.05 per cent), IndusInd bank (0.04 per cent), AXIS bank (0.03 per cent) have maintained minimum current ratio requirement. The analysis of CV reveals that banks are facing poor financial position and will not find easy to meet their need of additional capital in term of asset.

Quick Ratio

An indicator of a company's short-term liquidity, the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. For this reason, the ratio excludes inventories from current assets. Simply it is a amount of liquid assets available for each of current liabilities.Table 20 shows that, the mean ratio is the highest in IndusInd bank (14.87 in per cent), followed by AXIS bank (14.33 in per cent), YES bank (11.94 in per cent), ICICI bank (9.18 in per cent), HDFC bank (6.22 in per cent) during the study period. From the analysis of CV it is noticed that ratio fluctuates more widely throughout the study period. Therefore it is concluded that although improvement is marked, it does not conform to the international norms. It concludes that all the banks were able to meet their short-term obligations. All the banks have performed well in their liquidity position.

Liquid Asset to Total Asset Ratio

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. This ratio is arrived by dividing liquid assets by total assets. The proportion of liquid assets to total assets indicates the overall liquidity position of the bank. It evident from table 21 for selected banks, the mean Liquid assets to total assets ratio was the highest in YES bank (99.40 per cent) followed by AXIS bank (99.08 per cent), HDFC bank (99.06 per cent), ICICI bank (98.77 per cent), IndusInd bank (98.23 per cent). The table also shows that all the selected banks have maintained above the 90 percentages of their total assets. The analysis of CV shows that all the banks do not have high fluctuations in this ratio. All banks have good liquidity position.

Government Securities to Total Asset Ratio

Government securities are the most liquid and safe investment. This ratio measures the proportion of risk-free liquid assets invested in government securities as a percentage of the assets held by the bank and is arrived by dividing investment in government securities by the total assets. This ratio measures the risk involved in the assets held by a bank. It is evident from table 22 that among the selected banks, the mean Government securities to total assets ratio is the highest in HDFC bank (0.23 per cent) followed by IndusInd bank (0.22 per cent), YES bank (0.21 per cent), AXIS bank (0.20 per cent), ICICI bank (0.18 per cent). It is also evident from the table that the selected banks areconstituting minimum of total assets in the form

of government securities during the study period. The analysis of CV reveals that all the banks have moderate fluctuation in this ratio.

Overall ranking

As stated in the initial part of this paper, CAMEL model is used to rate the banks according to their Performance.

Inference from Table 23, IndusInd bank is ranked in top with composite average 65.68, followed by YES bank (28.72), HDFC bank (25.02), ICICI bank (24.65), AXIS bank (21.16) on the CAMEL Parameter analysis for the period of 2005 to 2014. It is evident from the above among the selected banks; overall financial performance is too good. , it can be interpreted that all the banks enjoy good financial position except asset quality ratios. The management efficiency of all selected banks were high and well especially IndusInd bank. Earning quality of the selected banks has maintained consistency in this ratio during the study period. It could be concluded all banks are efficient and financially sound. It concludes that all the banks were able to meet their short-term obligations. All the banks have performed well in their liquidity position.

CONCLUSION

Due to radical changes in the banking sector in the recent years, the central banks all around the world have improved their supervision quality and techniques. In evaluating the function of the banks, many of the developed countries are now following uniform financial rating system (CAMEL RATING) along with other existing procedures and techniques. Various studies have been conducted in India as well on various banks using CAMEL framework. Different banks are ranked according to the ratings obtained by them on the five parameters. The results show that there is a statistically significant difference between the CAMEL ratios of all the private sector Banks in India, thus, signifying that the overall performance of new private 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

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ANNEXURE

Table 2: Ratios under CAMEL Model

1.	Capital Adequacy (C)	(a). Capital Adequacy ratio
		(b). Advances to Total assets
		(c). Debt Equity ratio
		(d). Government securities to Total Investment
2.	Assets Quality (A)	(a). Net NPA to Net advances
		(b). Total investment to Total assets
		(c). Net NPA to Total assets
		(d). Percentage Change in NPAs
3.	Management Efficiency (M)	(a).Expenditure to Total Income ratio
		(b). Asset Turnover ratio
		(c). Profit peEmployee
		(d). Business per Employee
4.	Earning quality (E)	(a). Return on Asset
		(b). Spread / Total assets
		(c). Operating profit to Average Working Fund
		(d). Interest income to Total income
5.	Liquidity (L)	(a). Current ratio.
		(b). Quick ratio.
		(c).Liquid Assets to Total assets.
		(d). Government Securities / Total assets.

I.CAPITAL ADEQUACY

Table 3: Ratio of Capital Adequacy

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	13.78	16.02	14.91	13.32	16.67
Std. Dev	1.92	3.12	2.14	1.81	2.32
C.V	14.12	19.59	14.37	13.6	13.89

Table 4 : Ratio of Total Advances to Total Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	53.91	55.09	54.45	57.53	55.25
Std. De	6.46	2.53	5.23	3.38	4.24
C.V	11.98	4.59	9.61	5.88	7.69

Table 5 : Ratio of Dept Equity

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.76	0.80	0.39	0.81	0.47
Std. Dev	0.62	0.43	0.19	0.47	0.26
C.V	86.64	53.15	47.55	58.44	55.33

Table 6 : Ratio of Government Securities to Total Investment

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	59.65	61.10	74.99	79.07	62.54
Std. Dev	3.56	8.79	9.46	5.03	6.27
C.V	5.97	14.39	12.61	6.37	10.02

I.ASSET QUALITY

Table 7 Ratio of Net NPAs to Net Advances

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.57	1.27	0.34	1.20	0.04
Std. Dev	0.36	0.54	0.14	1.06	0.03
C.V	63.66	42.54	44.63	89.39	71.96

Table 8 Ratio of Total Investment to Total Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	33.59	30.15	31.09	27.82	33.00
Std. Dev	4.38	2.70	5.44	2.01	4.96
C.V	13.05	8.95	17.50	7.22	15.04

Table 9 : Ratio of Net NPAs to Total Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.47	0.81	0.39	0.80	0.78
Std. Dev	0.26	0.48	0.19	0.49	0.58
C.V	55.33	58.44	47.55	53.15	73.43

Table 10 : Ratio of Percentage Change in NPAs

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.13	0.35	0.10	0.41	0.04
Std. Dev	0.11	0.47	0.10	0.41	0.03
C.V	89.57	136.08	98.62	99.45	69.57

III.MANAGEMENT EFFICIENCY

Table 11 Ratio of Expenditure to Total Income

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	23.36	23.03	29.54	21.32	24.58
Std. Dev	3.35	4.62	4.77	2.88	20.35
C.V	14.35	20.05	16.15	13.50	82.79

Table 12 Ratio of Asset Turnover

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.09	0.10	0.11	0.13	1.75
Std. Dev	0.01	0.02	0.02	0.01	4.35
C.V	12.34	17.60	15.26	13.33	248.56

Table 13 Ratio of Earnings per Employee

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	3.25	1.12	5.36	6.20	31.94
Std. Dev	4.04	0.17	3.08	3.28	24.84
C.V	124.53	15.06	57.93	52.96	77.77

Table 14 Ratio of Business per Employee

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	11.31	89.28	66.60	877.19	126.62
Std. Dev	1.41	15.76	13.70	106.68	58.51
C.V	12.43	17.65	20.57	12.16	46.21

IV.EARNING QUALITY

Table 15: Ratio of Return on Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	1.46	1.25	1.56	1.06	1.51
Std. Dev	0.28	0.48	0.25	0.62	0.47
C.V	18.94	38.19	16.37	58.72	31.08

Table 16 :Interest Spread Ratio

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	5.22	5.21	6.95	5.62	4.75
Std. Dev	1.96	2.04	1.37	1.55	3.13
C.V	37.47	39.09	19.76	27.57	65.80

Table 17 Ratio of Operating Profit to Working Fund

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	2.82	2.53	3.05	2.13	2.50
Std. Dev	0.47	0.50	0.25	0.90	0.68
C.V	16.64	19.85	8.36	42.50	27.19

Table 18 Ratio of Interest Income to Total Income

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	79.46	78.66	82.25	83.88	80.40
Std. Dev	2.33	3.21	1.26	1.96	9.83
C.V	2.93	4.08	1.53	2.34	12.22

V. LIQUIDITY

Table 19 Current Ratio

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	0.03	0.10	0.05	0.04	0.06
Std. Dev	0.01	0.02	0.02	0.02	0.02
C.V	32.10	22.60	33.74	31.10	26.06

Table 20 Quick Ratio

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	14.33	9.18	6.22	14.87	11.94
Std. Dev	5.98	3.85	1.38	6.50	7.21
C.V	41.73	41.97	22.25	43.72	60.37

Table 21 Ratio of Liquid Asset to Total Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	99.08	98.77	99.06	98.23	99.40
Std. Dev	0.23	0.50	0.25	0.53	0.41
C.V	0.24	0.51	0.25	0.54	0.41

Table 22 Ratio of Government Securities to Total Asset

Bank	AXIS	ICICI	HDFC	IndusInd	YES
Mean	19.97	18.25	23.00	22.01	20.24
Std. Dev	1.95	1.66	3.00	2.42	1.65
C.V	9.75	9.08	13.04	10.99	8.16

Table 23 Composite ranking: Overall Performance of sample banks

Average	AXIS	ICICI	HDFC	IndusIn	YES
C	32.03	33.25	36.19	37.68	33.73
A	8.69	8.15	7.98	7.56	8.47
M	9.50	28.38	25.40	226.21	46.22
E	22.24	21.91	23.45	23.17	22.29
L	33.35	31.58	32.08	33.79	32.91
Combined Avg	21.16	24.65	25.02	65.68	28.7
Rank	5	4	3	1	2