

## A STUDY ON THE FINANCIAL PERFORMANCE OF SELECTED BANKS IN KARNATAKA INDIA

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**Studi Tentang Kinerja Keuangan Bank-Bank Terpilih di Karnataka, India**

#### Abstrak

Dalam segala hal, perbankan sangat penting bagi perluasan dan pengembangan ekonomi India. Tujuan penelitian ini adalah terkait pemeringkatan CAMEL untuk membandingkan dan menilai kinerja keuangan beberapa bank terpilih. Informasi sekunder yang diperlukan untuk studi ini dikumpulkan dari laporan tahunan bank, buletin, terbitan berkala, laporan internal bank, jurnal, majalah, dan situs web. Kerangka kerja CAMEL telah digunakan untuk menganalisis data yang dikumpulkan. ICICI Bank, HDFC Bank, YES Bank, AXIS Bank, dan FEDERAL Bank adalah bank yang dipilih untuk analisis. Bank-bank terpilih dipelajari selama tahun 2015 hingga 2019. Studi ini mengungkapkan bahwa HDFC Bank dan AXIS Bank adalah bank terbaik berdasarkan nilai keseluruhan analisis CAMEL. Hasil penelitian ini dapat dipergunakan sebagai referensi bagi bank untuk meningkatkan kinerja keuangannya.

#### Keywords:

Bank,  
CAMEL,  
Performance,  
Rating  
System

#### Abstract

*In every way, banking is crucial to the expansion and development of the Indian economy. The study's primary goal is to use the CAMEL grading methodology to compare and assess the financial performance of a few selected banks. Secondary information required for the study was gathered from annual reports of the banks, bulletins, periodicals, newsletters, internal bank reports, journals, magazines, and websites. The CAMEL framework has been used to analyze the collected data. ICICI Bank, HDFC Bank, YES Bank, AXIS Bank, and FEDERAL Bank were chosen for analysis. The selected banks were studied from 2015 to 2019. The study reveals that HDFC Bank and AXIS Bank are the best banks based on the overall grade of the CAMEL analysis. The results of this study can be used as a reference for banks to improve their financial performance.*

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### INTRODUCTION

In every facet, banking is crucial to the expansion and development of the Indian economy. Banks make the seamless operation of India's financial system possible. It provides the vital resources and cash that fuel rapid expansion throughout all sectors of the economy and for the whole country. The growth in bank branches, deposits, credit, etc., are all indicators of the financial performance of the banking industry. When examining the financial performance of the banking industry, one can see how the Indian economy is developing within the constraints of economic liberalization and globalization.

The banking industry greatly aided the exceptional reactivity of the Indian economy to its needs. The banking industry has made significant strides in its attempts to mobilize deposits and



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has recently implemented a variety of steps to speed up the growth of deposits. India is, with different regions in various phases of development, the changing function of banks in intermediation and other areas is presented in an interesting spectrum. Analyzing the financial performance of the chosen banks in determining the Bank's financial assets and liabilities by correctly establishing the relationship between the items on the balance sheet and the profit and loss account. Analyzing banks' financial performance is helpful for both short- and long-term forecasting and for identifying growth.

Sridevi & Saranya.c (2019). The study's main aim is to evaluate and compare the financial performance of a few chosen banks using the CAMEL grading methodology. To compile the secondary data for the study, the Bank's annual reports, bulletins, periodicals, newsletters, internal bank reports, journals, magazines, and websites were consulted. The data gathered have been analyzed using the CAMEL framework. The banks selected for analysis are FEDERAL Bank, ICICI Bank, HDFC Bank, YES Bank, and AXIS Bank. From 2014 to 2018, the chosen banks were researched. Based on the overall score of the CAMEL analysis, the study concludes that HDFC Bank and AXIS Bank are the two best banks.

Prasad & Ravinder (2014) examined the profitability of four central Indian banks from 2005–2006 to 2009–2010: State Bank of India, Punjab National Bank, ICICI Bank, and HDFC Bank. Statistical procedures such as the arithmetic mean, one-way ANOVA, and Tukey HSD Test were used for the study's objective. Several metrics, including Operating Profit Margin, Gross Profit Margin, Net Profit Margin, Earnings per Share, Return on Equity, Return on Assets, Price Earnings Ratio, and Dividend Payout Ratio, have been used to assess the profitability of these banks. According to the analysis, Punjab National Bank did better regarding operating profit margin and return on equity. At the same time, the State Bank of India performed better regarding earnings per share and dividend payout ratio. In terms of gross profit margin, net profit margin, return on assets, and price-earnings ratio, the study found that HDFC Bank fared better than average. According to the survey, ICICI Bank distributed the most significant percentage of its earnings as dividends to shareholders.

Wirnkar and Tanko (2008) examined CAMEL's suitability for assessing bank performance. The purpose of this study was to determine the sufficiency of CAMEL in reviewing bank performance overall, the significance of each CAMEL component, and to identify the best ratios that bank regulators can use to judge the effectiveness of banks. The Bank was chosen from a sample of eleven Nigerian commercial banks to conduct the analysis. The study period covered information from annual reports throughout a nine-year span (1997-2005). The study concluded that no single CAMEL component could aggregate the whole performance of a bank. The ideal ratios for each CAMEL parameter were also found.

Barala (2005) Using the CAMEL Model, the performance of joint venture banks in Nepal was analyzed. The research was primarily based on secondary data from joint venture bank annual reports. The research report examined joint venture banks' financial stability using CAMEL characteristics. According to the study, joint ventures' financial standing is superior to commercial banks. The study also found that the CAMEL components demonstrated that joint venture banks' ability to manage the potential impact on their balance sheet on a wide scale without suffering any adverse effects on their financial health was not problematic.

This study aims to compare the financial performance of selected banks through CAMEL analysis and evaluate their economic performance.

## **METHOD**

This type of research is analytical research. The data source is secondary data collected from the Bank's website. The analysis tool used is CAMEL. The research period is from 2015 - 2019. The banks sampled in this study are ICICI BANK, HDFC BANK, YES BANK, AXIS BANK, and FEDERAL BANK. The measuring instruments used in this method are Capital Adequacy Ratio, Net NPA to total advances ratio, Total investment to Total Assets ratio, Total advances to total deposits ratio, Return on Equity, Net Profit to Total Assets Ratio, Liquid assets to total assets ratio, Liquid assets to total deposit ratio, Liquid assets to demand deposit ratio.

## RESULTS AND DISCUSSION

### Results

#### CAMEL Analysis

**Table 1.** Capital Adequacy Ratios

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	17.02	17.70	18.74	18.52	19.54	18.30	1
HDFC	16.8	16.1	16.8	16.5	16.2	16.48	3
YES	15.6	14.4	18.3	17.9	16.5	16.54	2
AXIS	15.09	16.07	17.00	13.66	12.65	14.90	5
FEDERAL	15.46	15.14	14.73	15.39	13.83	14.91	4

During the last five years, ICIC Bank has maintained more than this minimum requirement. The higher the ratio, the more comfortable the Bank is in absorbing losses. It was found that ICICI ranked in the top position with the highest CAR of 18.30, followed by YES bank (16.54) and HDFC bank. (16.48). AXIS bank scored the lowest position

**Table 2.** Net NPA to total advances ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	1.61	0.97	0.77	0.73	1.11	1.04	5
HDFC	0.25	0.27	0.20	0.18	0.18	0.22	2
YES	0.12	0.05	0.01	0.05	0.03	0.05	1
AXIS	0.44	0.40	0.32	0.25	0.26	0.33	3
FEDERAL	0.73	0.74	0.98	0.53	0.60	0.72	4

The above table and figure show that YES bank is in the top position with the lowest average of 0.05, followed by HDFC bank with an average of 0.22 and AXIS bank with an average of 0.33. ICICI Bank scored the lowest position, with the highest average of 1.04.

**Table 3.** Total investments to total assets ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	28.87	29.76	31.92	33.68	33.15	31.48	4
HDFC	28.18	24.60	27.88	28.84	25.57	27.01	1
YES	34.22	37.56	43.36	37.70	31.90	36.95	5
AXIS	28.64	29.62	33.39	32.62	29.66	30.79	3
FEDERAL	29.46	32.33	29.77	28.70	28.25	29.70	2

The above table and figure show that HDFC bank is in the top position with the lowest average of 27.01, followed by FEDERAL bank with an average of 29.70 and AXIS bank with an average of 30.70. YES, the Bank scored the lowest position with the highest average of 36.95.

**Table 4.** Total advances to total deposits ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	108.19	103.05	100.17	100.29	96.91	99.80	1
HDFC	82.09	83.49	81.93	80.20	75.69	81.08	2
YES	83.85	73.97	71.18	76.30	75.81	77.03	4
AXIS	86.18	82.88	78.96	76.14	76.26	80.86	3
FEDERAL	73.42	73.74	75.55	78.13	75.25	73.59	5

As seen in the above table and figure, ICICI Bank holds a prominent position with the highest average of 99.80, followed by HDFC Bank at 81.08 and AXIS Bank at 80.86. Federal Bank had the lowest ranking.

**Table 5.** Return on equity ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	13.5	14.8	13.7	10.1	8.8	13.23	5
HDFC	17.46	20.50	17.76	18.27	16.48	18.50	3
YES	18.99	24.99	25.7	24.1	22.00	23.5	1
AXIS	19.58	19.10	19.11	20.25	21.15	20.63	2
FEDERAL	14.87	13.70	15.02	13.27	12.00	14.29	4

AXIS bank has the highest average at 20.63, followed by HDFC bank at 18.50, and YES bank at the top with the highest average at 23.63 in the table and figure above. With the lowest ranking, ICICI Bank.

**Table 6.** Net profit to total asset ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	2.00	1.65	2.00	1.37	1.28	1.50	3
HDFC	1.72	1.73	1.69	1.54	1.42	1.62	1
YES	1.46	1.45	1.30	1.30	1.25	1.37	4
AXIS	2.00	1.52	1.42	1.50	1.39	1.49	2
FEDERAL	1.20	1.11	1.19	1.30	1.15	1.20	5

According to the above table and figure, ICICI Bank has an average of 1.50, AXIS Bank has an average of 1.49, and HDFC Bank has the highest average of 1.62. The Bank with the lowest score was the Federal Reserve.

**Table 7.** Liquid asset to total asset ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	6.50	7.00	8.81	8.10	8.30	7.45	2
HDFC	6.16	7.99	7.00	6.10	11.00	7.55	1
YES	5.50	5.30	4.00	4.77	6.00	5.18	5
AXIS	7.82	7.38	6.00	5.00	9.00	7.08	3
FEDERAL	6.07	6.00	5.25	6.13	8.00	6.02	4

The table and figure above demonstrate that HDFC Bank is ranked best with an average of 7.55, followed by ICICI Bank at 7.45 and AXIS Bank at 7.08. YES Bank had the lowest ranking.

**Table 8.** Liquid asset to total deposit ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	12.00	12.49	14.12	14.15	15.10	13.49	1
HDFC	7.96	10.50	9.19	8.50	13.82	10.12	2
YES	8.30	8.00	5.97	7.30	7.71	7.34	4
AXIS	11.20	9.95	7.59	6.29	11.29	8.94	3
FEDERAL	6.69	7.60	6.50	7.20	8.70	7.30	5

According to the above table and figure, ICICI bank has the highest average of 13.49, followed by HDFC bank with an average of 10.12 and AXIS bank with an average of 8.95. FEDERAL BANK received the lowest ranking.

**Table 9.** Liquid asset to demand deposit ratio

BANK	2019	2018	2017	2016	2015	AVG	RANK
ICICI	86.03	95.93	111.10	104.99	97.92	100.00	2
HDFC	50.00	65.00	52.10	45.10	60.98	56.00	4
YES	89.01	84.06	60.90	73.34	88.86	80.00	3
AXIS	65.54	57.90	42.30	35.00	58.00	51.56	5
FEDERAL	118.93	133.92	127.88	139.76	156.00	134.90	1

The federal Bank is prominent in the table and figure above, with the highest average of 134.90. It is followed by ICICI Bank with an average of 100.00 and YES Bank with an average of 80.00. The Bank with the lowest score was AXIS.

## Discussion

Based on the CAMEL analysis, ICICI Bank exceeded the minimum requirement for capital adequacy over the last five years, as indicated by the Bank's capital adequacy ratio. Based on the banks' aggregate capital adequacy ratio performance, HDFC Bank secured the top spots. The overall performance of the banks' assets quality ratio reveals that HDFC Bank has taken the top spot. This represents the models of advances made by the Bank to generate interest income. According to the overall performance of the management efficiency ratio of the banks, YES Bank has taken first place. According to the overall performance of the earning quality ratio of the banks, HDFC Bank and AXIS Bank were ranked first and second, respectively. According to the overall

performance of the banks' liquidity ratios, HDFC Bank and ICICI Bank were ranked first and second, respectively. According to the overall rating of the CAMEL analysis, the best banks are HDFC Bank and AXIS Bank.

## CONCLUSION

While evaluating the financial performance of the selected banks, the study revealed that the banks received varying ranks in CAMEL ratios. According to the findings of this study, HDFC Bank ranked first in terms of capital adequacy ratio, while YES Bank ranked last. This could be attributed to YES Bank's poor performance in the debt-equity, advances-to-assets, and government securities-to-total-investments ratios. Regarding asset quality parameters, HDFC Bank ranked first, while ICICI Bank ranked last. This could be due to ICICI's poor performance in the net NPAs to net advances, total investments to total assets, and net NPAs to total assets ratios. Under the management efficiency parameter, YES bank has the highest rank, and FEDERAL bank has the lowest rank. The subpar performance of Federal Bank in terms of return on equity, profit per employee, and total advances to total deposits may have been the cause of this.

Regarding earning quality parameters, YES Bank had the lowest ranking, while HDFC and AXIS banks had the highest ranking. The underwhelming performance of YES Bank in the operating profit to total assets, net profit to total assets, and net interest margin to total assets ratios may have been the cause of this. AXIS bank was ranked lowest, and HDFC and ICICI banks were ranked highest in terms of liquidity

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