

Analyzing Financial Performance of Private Banks in India: Application of CAMEL Model

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Abstract-

The present study focuses on the evaluation of the performance & financial soundness of selected Private Banks in India for the period 2014-2018. The financial strength of the selected banks are examined with the help of CAMEL-Model approach the statistical tools used to conclude the study are Standard Deviation, Composite Rankings, Average, and Compound annual growth rate. These tools are used to aggregate the comparative and significant parameters of CAMEL-Model approach. The ANOVA test signifies that there is significant difference in the performance of selected private banks in India.

Keywords: CAMEL-Model, financial-performance, managerial efficiency, private banks, profitability.

1. Introduction

Banking sector is an important component of financial system plays a key role in the economic development of countries and it helps in stimulation of Capital formation, innovation and monetization in addition to facilitation of monetary policy (Said & Tumin, 2011). Indian banking industry has undergone several changes during the liberalization process. Indian banking sector has been dominated by public sector banks since 1969 when all major banks were nationalized by the Indian government.

2. Review of Literature

Misra (2013) and Ramya (2017) measured the financial soundness and performance of State Bank Group using CAMEL Model approach. As per the findings of this study, Asset quality, Capital Adequacy, Debt Equity, Operating Profit, Non Interest Income to Total Income must be improved for upgrading its position. Also, there was significant relation between each category of CAMEL Model and Q Tobin's ratio as bank's performance ratio as per (Rostami, 2015). Majumdar (2016) measured the financial performance of 15 banks in Bangladesh for the period 2009 to 2013 determining a significant difference in the performance of selected banks.

3. Research Methodology

This Descriptive research aims to collect information with regards to the existing position of