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A CAMEL MODEL ANALYSIS OF PRIVATE SECTOR BANKS

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ABSTRACT

The country's economy grows and develops primarily through the banking sector. Private sector banks play a significant role in the LPG era in order to effectively facilitate monetary policy. In the past, banks accepted deposits and provided loans and advances to the general public; however, in the digital age, banks now offer fee-based services to their clients. In order to meet the requirements of their clients, a number of private banks have been actively participating in the financial market. Adopting the CAMEL model to measure the financial performance of five selected private banks in India—ICICI, HDFC, YES, Kotak Mahindra, and IndusInd Bank Ltd—from 2013 to 2017 is essential. The CAMEL approach has measured a variety of parameters for banks, including capital sufficiency, asset quality, management efficiency, earning capacity, and liquidity management. The CAMEL ranks each of these five banks based on each parameter. The CAMEL model's findings show the banks' financial situation, which would be helpful to bank stakeholders.

KEYWORDS: *Private Banks, CAMEL, Financial Performance.*

INTRODUCTION

The financial system cannot function without the banking sector. The bank's financial performance is crucial to the expansion and development of the economy. In order to guarantee the economy's sound financial system, it is absolutely necessary to investigate the five chosen private banks' overall performance. The bank's primary objective is to maintain stability, ensure that they are immune to external shocks, and maintain their internal soundness and sensibleness. As a result, it is essential to measure the soundness of all of the country's banks, identify the weaker segments of the banking sector, develop appropriate strategies and policies to strengthen these segments, and eventually create an environment that encourages banks to converge on soundness and produces a system that is consistently stable. A supervisory rating system originally developed in the United States to evaluate the overall performance of banks is the CAMEL rating.

LITERATURE REVIEW

Using the CAMEL model, a number of authors have conducted numerous studies on the financial performance of banks across time. This section provides a concise summary of significant studies and highlights the study's findings. Ahamed Lebbe Abdul Rauf (2016) observed that capital ampleness, resources quality and acquiring quality were altogether associated with monetary execution, and the executives proficiency and liquidity were not fundamentally related with monetary execution of the bank. Suba and Jogi (2015) compared the performance of HDFC and ICICI, two private sector banks in India, and discovered that while there was no significant difference between the two selected banks in terms of certain indicators, there was a significant difference in terms of the indicator of capital adequacy ratio. When Geeta Sharma and Amandeep Kaur Arora (2016) looked at how private sector banks and public sector banks performed in comparison, they found that private sector banks performed better than public sector banks. When comparing Indian scheduled banks, Svetlana Tatuskar (2010) found that public sector banks like BOI and private sector banks like ICICI performed exceptionally well. Both Gupta et al. (2005) and Das et al. (2008) found that small banks have contributed to the improvement in private bank efficiency. The paper uses Capital Adequacy Ratio analysis to find that a higher CAR increases productive efficiency, which is a result of banks' high profitability and, as a result, their soundness. According to Aswini Kumar Mishra and colleagues (2013), private banks are expanding at a faster rate than public sector banks and will move closer to convergence sooner than PSBs. According to Misra and Aspal (2013), performance evaluation of the banking sector is an effective measure and indicator to check the soundness of economic activities in an economy. Azizi and Sarkani (2014) examined that assessment of the country's Bank performance is of primary significance.

OBJECTIVES

to use the CAMEL model to rank five selected private banks and examine their overall performance.

METHODOLOGY

The design of this study is an analytical one. The study was carried out using secondary data. The study looks at five particular private banks for the years 2013 to 2017. The size of the asset determines which banks are chosen. Secondary data was gathered from bank annual reports, various websites, and RBI reports. The CAMEL model has been utilized as a research instrument to assess the bank's performance. After taking into account the group average of all banks based on their parameters, the composite rankings are calculated. The following five banks are included in the study:

- YES
- INDUSIND
- KOTAK MAHINDRA
- ICICI
- HDFC

CONCLUSION

All banks have improved the quality and methods of their supervision as a result of significant industry shifts like core banking and net banking. Any nation's economic development is largely dependent on the expansion of the banking sector. Along with other methods and procedures that are already in place, many developed nations are now using the uniform financial rating system CAMEL RATING to evaluate the banks' financial performance. The purpose of this study was to use the CAMEL model to measure the performance of five selected private banks in India from 2013 to 2017. The results show that ICICI and INDUSIND banks came in first, followed by Kotak Mahindra and HDFC, and YES banks came in last. In terms of asset quality and management efficiency, HDFC and YES banks have room for improvement.

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