



Comparative Analysis of Financial Performance of Private Sector Banks in India: Application of CAMEL Model

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Introduction

As soon the bottom lines of Domestic Banks come under increasing pressure and the options for organic growth exhaust themselves, Indian Banks will need to explore ways for inorganic expansion. This, in turn, is likely to unleash the forces of consolidation in Indian banking.

C. Rangarajan
Chairman of Economic Advisory Council of the Prime Minister

In the early 1990s the then Narasimha Rao government embarked on a policy of liberalization and gave licences to a small number of private banks, which came to be known as *New Generation tech-savvy banks*, which included banks such as UTI Bank (now re-named as Axis Bank) (the first of such new generation banks to be set up), ICICI Bank and HDFC Bank. This move, along

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with the rapid growth in the economy of India, kick started the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 49% with some restrictions. The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

Now Banking in India is mature in terms of supply, product range and reach-even in rural India through rural banking and remote banking. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets. The present research work analyses the overall financial performance of major private sector banks in India through application of CAMEL Model. Besides it also attempts to compare the performance of these Banks with the help of Composite Ranking Method.

OBJECTIVES OF THE STUDY

The present study is an attempt to achieve the following objectives:

1. To study the overall performance of major Private Sector Banks applying CAMEL(Capital Adequacy, Assets Quality, Management, Earning Quality, Liquidity) Model.
2. To make a comparative analysis of major Private Sector banks by using Composite Ranking Method
3. On the basis of result of the result of the study to suggest various measures to improve the performance of the Banks in future.

METHODOLOGY

Basically the study is based on secondary data collected from various published sources like Magazines, Banks Web Sites, and Economic Survey of Government of India & Reports of RBI and internal reports from 2003 to 2007. The study has taken in to consideration following ten major private sector banks:

1	Axis Bank
2	Bank of Rajasthan
3	City union Bank
4	HDFC Bank
5	ICICI Bank
6	Kotak Mahindra Bank
7	Karnataka Bank
8	Karur vysya Bank
9	South Indian bank
10	Yes Bank

Out of these 10 Banks, Yes Bank is the newly established Bank. That is why the data for this Bank on different indicators are not available for the first two years i.e. 2003- 2004. It is indicated by N.A (Not Available) in the respective tables. The ranking of these Banks has been done by calculating the average of different financial ratios of 5 years from 2003 to 2007 at the rating scale of 1-10. Rank one reveals the highest performance while Rank 10 shows the lowest performance in terms of various financial indicators of the Banks. Besides this for the comparative analysis of overall performance; Composite Ranking Method has been applied on the basis of their Group Average.

FINANCIAL PERFORMANCE ANALYSIS

Financial Performance Analysis is the process of scientifically making a proper, critical and comparative evaluation of profitability and the financial health of Banks through the applications of the techniques of financial

statement analysis. Financial Analysis covers a vast area and is of great practical importance. The Banks use various ratios for measuring the financial performance which tells us the true financial position of the bank. In the present study CAMEL Model has been applied for the same purpose. Various ratios calculated under the Model help in identifying the strengths/weaknesses of banks and suggesting improvement in its future working. In the present study, following financial ratios under CAMEL Model have been used for the analysis of Financial Performance.

C	Capital Adequacy	Capital Adequacy Ratio Advances to Assets Ratio
A	Asset Quality	Gross NPA's to Gross Advances Percentage change in Net NPA's Priority Sector Advances as a % of Total Advances
M	Management	Total advances to Total Deposits (Credit Deposit Ratio) Net Profit per Employee Reported Return on Net Worth
E	Earning Quality	Income from fund advances as a % of Operating Income Operating Income as a % of Working Funds Fund Based Income as a % of Operating Income
L	Liquidity	Liquid Assets/Total Assets

1 CAPITAL ADEQUACY: -

The capital adequacy reflects the overall financial condition of a bank and also the ability of the management to meet the need for additional capital. The ratios which are used under capital adequacy are following.

Capital adequacy Ratio: - As per the latest RBI norms, banks in India should have a CAR of 9%. It is arrived at by dividing the sum of Tier I and

Tier II capital (Capital Fund of the Bank) by Risk weighted assets as per the given formula. Tier I capital include equity capital and free reserves. Tier II capital comprises subordinated debt of 5-7 Year tenure. The higher the CAR, the stronger the bank.

Capital adequacy Ratio

$$= (\text{Capital fund of the bank})/(\text{Risk weighted assets})*100$$

CAPITAL ADEQUACY RATIO COMPARISON OF VARIOUS BANKS:-

Banks	Mar—07	Mar--06	Mar—05	Mar--04	Mar--03	Average	Rank
Axis Bank	11.57	11.08	12.66	11.21	10.9	11.48	8
Bank of Rajasthan	11.32	10.6	12.75	11.18	11.29	11.43	9
City union Bank	12.58	12.33	12.18	13.36	13.95	12.88	4
HDFC Bank	13.1	11.4	12.2	11.66	11.12	11.89	6
ICICI Bank	11.69	13.35	11.78	10.36	11.1	11.65	7
Kotak Mahindra Bank	13.46	11.27	12.8	15.25	25.97	15.75	3
Karnataka Bank	10.46	11.38	14.16	13.03	13.44	12.49	5
Karur vysya Bank	14.51	14.79	16.07	17.11	17.01	15.89	2
South Indian bank	11.08	13.02	9.89	11.32	10.75	11.21	10
Yes Bank	13.6	16.43	18.81	NA	NA	16.28	1

The average capital adequacy ratio is highest (16.28%) in Yes Bank so it is being ranked as 1 and lowest (11.21 %) in South Indian Bank so ranked as 10. Therefore Yes Bank is stronger and South Indian Bank is less strong. The second safest bank is Karur Vysya Bank. Axis Bank and Bank of Rajasthan are also coming in the category of less strong bank.

Advances to Assets Ratio:-

This is the ratio of total advances to total Assets. Total advances also include receivables. The value of total assets excludes the revaluation of all the assets.

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	50.33	47.23	62.19	51.45	54.72	54.85	58.88	63.54	58	56.64
Mar--06	44.86	41.34	61.77	47.69	56.89	62.38	52.1	61.67	58.83	57.83
Mar--05	41.33	31.71	57.58	49.71	53.07	61.68	50.19	58.58	56.61	59.46
Mar--04	38.76	28.83	48.47	41.94	48.51	36.05	44.12	56.6	45.34	NA
Mar--03	36.6	36.37	46.18	38.63	49.12	57.62	42.08	54.12	47.35	NA
Average	42.38	37.096	55.238	45.884	52.462	54.516	49.474	58.902	53.226	57.9767
Rank	9	10	3	8	6	4	7	1	5	2

An advance to Assets Ratio is comparatively high in Karur Vysya Bank, City Union Bank and Yes bank while it is at lower pace in the other Banks.

2. ASSET QUALITY:

The prime motto behind measuring the asset quality is to ascertain the component of non-performing assets as a percentage of the total assets. In addition, the parameter also ascertains the NPA movement and the amount locked up in investment as a percentage of total assets. In respect, the reserve bank of India has prescribed a standard norm of 5% Maximum. All the banks in India are following this norm

Gross NPAs to Gross Advances:-

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	0.011	0.0212	0.02615	0.014	0.0218	0.025	0.0405	0.0288	0.0406	0

Mar--06	0.017	0.0332	0.04425	0.0145	0.01553	0.0063	0.0533	0.0402	0.0515	0
Mar--05	0.02	0.055	0.06042	0.0172	0.03113	0.0073	0.0798	0.0524	0.0682	0
Average	0.016	0.0365	0.04361	0.0152	0.02282	0.0129	0.0579	0.0404	0.0534	0
Rank	4	6	8	3	5	2	10	7	9	1

It is the Ratio between Gross NPAs and Gross Advance which indicates that how much % of assets are non-performing out of total advances as shown below:

Percentage Change in Net NPAs :-

This measure gives the movement in net NPAs in relation to net NPAs in the previous year. The lower the percentage change, better the quality of assets. It is given by following formula: % change in net NPAs = (net NPAs at the beginning of the year-net NPAs at the end of year)/net NPAs at the beginning of the year.

In February 2003, Kotak Mahindra Finance Limited was given the license to carry on banking business by the Reserve Bank of India (RBI). It was the first company in India to convert to a bank. The company has been in retail lending since mid 1990s. So the % change in Net NPA's of banks are very high in amount.

Priority Sector Advances as a % of total advances:-

The Reserve Bank of India on the basis of recommendations made by working group and committees has been issuing guidelines to commercial banks from time to time for grant of loans and advances to various categories of priority sector viz, agriculture, small industries, Road and water transport operators, retail trade, small business, professional & self employed persons, educational and housing loans, consumption loans to weaker sections etc.

	Axis Bank	Bank of Rajasthan	City Union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	1.374	-65.97	- 27.19	155.94	89.23	1345.3	-36.14	- 64.37	-34.17	0
Mar--06	21.15	-44.38	- 26.55	30.74	-30.06	0.67	26.8	- 40.81	-44.12	0
Mar--05	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average	11.26	-55.175	- 26.87	93.34	29.585	673	-4.67	- 52.59	- 39.145	0
Rank	7	1	4	9	8	10	5	2	3	6

Priority sector Advances

$$= (\text{Advances to priority sector})/(\text{Total assets})*100$$

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South indian bank	Yes Bank
Mar--07	35.79	26.7	40.14	37.67	28.22	32.02	37.94	36.29	37.04	36.14
Mar--06	34.64	23.9	40.82	30.99	29.2	35.58	42.79	35.8	35.59	26.35
Mar--05	28.22	27.7	39.86	21.97	22.57	33.31	39.03	37.93	31.87	3.41
Mar--04	26.23	29.3	38.49	14.08	23.7	40.92	37.5	41.84	30.75	NA
Mar--03	22.83	22.3	39	12.1	17.03	38.49	33.26	41.55	27.79	NA
Average	29.54	26	39.662	23.362	24.144	36.06	38.104	38.682	32.608	21.9667
Rank	6	7	1	9	8	4	3	2	5	10

3. MANAGEMENT:-

It involves a subjective analysis for measuring the efficiency of the management; this research uses ratios like profit per employee, advances to deposits and Reported return on Net Worth.

Total advances to Total Deposits:-

This ratio measure the efficiency of the management in converting the deposits available with the bank (excluding other funds like equity capital, etc.) into advances as shown in the following table:

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kodak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	62.73	52.74	70.84	68.74	84.97	99.3	68.05	75.38	64.7	76.51
Mar--06	55.62	45.71	72.47	62.83	86.64	96.7	58.83	73.32	66.5	82.71
Mar--05	49.19	35.66	65	70.32	89.15	93.4	58.01	69.22	63.17	114.77
Mar--04	44.68	32.82	54.32	58.35	89.2	47	49.61	68.05	50.67	NA
Mar--03	42.32	41.91	52.39	52.52	108.93	483	47.02	65.29	52.64	NA
Average	50.91	41.768	63.004	62.55	91.778	164	56.304	70.252	59.54	91.33
Rank	9	10	5	6	2	1	8	4	7	3

In February 2003, Kotak Mahindra Finance Limited was given the license to carry on banking business by the Reserve Bank of India (RBI). It was the first company in India to convert to a bank. The company has been in retail lending since mid 1990s. With the conversion into a bank, retail liabilities, treasury and corporate banking segments have also been added. So the advances of banks are very high in 2003

Net Profit per Employee:-

This measure the efficiency of the employee at the branch level. It also gives valuable input to assess the real strength of a bank's branch network. It is arrived at by dividing the net profit earned by the bank by total number of branches. The higher the ratio, higher the efficiency of management.

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
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Mar--07	663265	283854	NA	531964	898831.9	343455	NA	NA	NA	NA
Mar--06	742840	37984	350613	585099	997854	327654	NA	NA	NA	NA
Mar--05	685089	86383	322857	736822	1115158	401407	NA	374596	NA	386287
Mar--04	791634	171011	NA	940347	1205307	700244	NA	565379	NA	882836
Mar--03	833704	162815	236956	806763	1144040	814820	255088	441454	203743	-180507
Average	743306	148409	303475	720199	1072238	517516	255088	460476	203743	362872
Rank	2	10	7	3	1	4	8	5	9	6

Reported Return on Net Worth:-It is a measure of the profitability of a company. Profit After Tax is expressed as a percentage of average net worth.

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	19.42	25.93	19.63	17.74	12.79	8.5	14.29	15.05	14.38	11.98
Mar--06	16.88	4.47	19.7	16.43	11.43	13.67	15.84	15.52	7.94	9.66
Mar--05	13.89	10.65	19.24	14.72	15.97	11.21	15.04	13.84	1.91	-1.73
Mar--04	24.49	22.47	28.11	18.92	20.43	12.98	19.07	22.61	21.35	NA
Mar--03	20.93	26.05	20.25	17.26	17.39	8.3	18.87	22.36	22.53	NA
Average	19.12	17.914	21.386	17.01	15.602	10.932	16.622	17.88	13.622	6.63667
Rank	2	3	1	5	7	9	6	4	8	10

Average Reported Return on Net worth is at high level (21.386%) in City Union Bank and at low level (6.63%) in Yes bank. Kotak Mahindra Bank and South Indian Bank come at the rank of 9 & 8 respectively. The Reported Return is negative in Yes bank in March 2003.

4. EARNING QUALITY: -

This parameter gains importance in the light of the argument that much of a bank's income is earned through non core activities like investments, treasury operation, and corporate advisory services and so on. In this section we try to assess the quality of income generated by core activity- income from lending operations.

Income from Fund Advances as a % of Operating Income:-This is arrived at by dividing income from fund advance by operating income. The income from fund advances includes the income from fund advances only.

	Axis Bank	Bank of Rajasthan	City Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	49.48	53.07	74.98	52.19	56.56	63.04	59.17	64.81	68.03	57.36
Mar--06	42.51	43.58	69.63	48.49	55.28	59.24	52.83	59.77	70.01	47.96
Mar--05	42.56	45.78	61.77	44.67	57.04	59.07	45.51	61.17	66.65	48.77
Mar--04	36.28	30.54	48.24	37.32	52.72	63.62	37.42	50.22	39.91	NA
Mar--03	39.36	36.62	46.62	32.21	51.62	89.96	38.17	47.1	45.64	NA
Average	42.038	41.92	60.248	42.976	54.64	66.986	46.62	56.614	58.05	51.3633
Rank	9	10	2	8	5	1	7	4	3	6

Average Income from fund advances is highest (66.986 %) in Kotak Mahindra Bank so raked as 1 and lowest (41.92 %) in Bank of Rajasthan so ranked as 10. Axis bank and HDFC bank comes to the rank of 9 & 8 respectively. This table indicates that Income from Fund Advances is fluctuating significantly.

Operating Income as a % of Working Funds:- This is arrived at by dividing the operating profit by average working funds. Working funds is the daily average of the total assets during the year. Which indicate how much operating income is generated from Average working funds. Higher ratio indicates good performance of bank.

Average Operating Income is highest (19.62%) in Bank of Rajasthan – Rank 1 and lowest (9.9 %) in Yes bank – Rank 10. City Bank comes in the middle of the periphery. The table depicts that there is a wide disparity between the operating income of 2003 to 2007.

	Axis Bank	Bank of Rajasthan	City Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	14.81	14.66	12.35	17.68	15.08	14.57	14.39	13.61	12.88	11.71
Mar--06	16.1	13.58	13.77	15.87	12.24	14.33	14.93	13.64	12.31	11.79
Mar--05	14.73	17.26	14.91	14.56	13.3	13.47	16.04	13.64	12.23	6.22
Mar--04	22.59	26.56	21.2	16.73	18.95	15.77	23.85	17.86	21.37	NA
Mar--03	26.04	26.03	22.84	20.77	22.2	14.52	26.86	19.22	22.58	NA
Average	18.854	19.62	17.014	17.122	16.35	14.532	19.214	15.594	16.27	9.90667
Rank	3	1	5	4	6	9	2	8	7	10

Fund based income as a % of Operating Income: - This is arrived at by dividing Fund based income by operating income. Which indicate how much % income is generated from funds from operating income. Higher ratio indicates good performance of bank.

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	85.58	94.61	96.65	84.05	85	88.43	93.99	90.5	97.64	84.27
Mar--06	86.07	94.61	96.01	81.19	83.2	82.35	94.58	90.07	97.18	82.24
Mar--05	85.28	94.61	95	83.28	84.07	93.3	94.17	91.31	97.2	80.68
Mar--04	91.28	94.61	94.94	88.98	90.52	97.14	95.15	92.1	97.72	NA
Mar--03	92.26	94.61	94.52	89.92	93.37	94.24	95.34	92.06	97.61	NA
Average	88.09	94.61	95.424	85.48	87.232	91.092	94.646	91.21	97.47	82.3967
Rank	7	4	2	9	8	6	3	5	1	10

Average Fund Based Income is highest (97.47 %) in South Indian Bank lying to the category of 1 and lowest (82.3967%) in Yes Bank lying to the category 10 respectively. The table shows that the variation in the Fund based income between 2003 and 2007 is comparatively less.

Fee based income as a % of Op Income:-This is arrived at by dividing the fee based income by operating income. Which indicate that how much % income is generated by the way of fees. Higher ratio indicates good performance of bank.

Mar--07	14.41	5.38	5.34	15.94	14.99	15.56	6	14.9	3.5	15.72
Mar--06	13.92	5.38	5.34	15.94	14.99	15.56	6	14.9	3.5	15.72
Mar--05	14.74	5.38	5.34	15.94	14.99	15.56	6	14.9	3.5	15.72

Mar--04	8.71	3.39	5.05	11.01	9.47	2.85	4.84	7.89	2.27	NA
Mar--03	7.73	3.91	5.47	10.07	6.62	5.75	4.65	7.93	2.38	NA
Average	11.9	4.808	4.566	14.51	12.758	8.898	5.344	8.782	2.52	17.5933
Rank	4	8	9	2	3	5	7	6	10	1

The Average Fee based Income is highest (17.59%) in Yes Bank ranked as 1 and lowest (2.52 %) in South Indian Bank ranked as 10 respectively. The table indicates that the fee based income is not fluctuating significantly.

Net profit Margin Ratio:- Net Margin or Net Profit Ratio all refer to a measure of profitability. Higher Net Profit Margin Ratio indicates the comparative higher profitability of the Bank.

	Axis Bank	Bank of Rajasthan	City union Bank	HDF C Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	12.01	12.56	15.98	13.57	10.81	8.84	12.71	16.47	9.71	12.06
Mar--06	13.47	2.59	15.25	15.55	14.12	12.97	14.99	17.67	6.15	19.08
Mar--05	14.33	6.7	14.42	17.77	16.32	15.35	14.47	16.28	1.25	-7.8
Mar--04	13.14	10.33	16.76	16.81	13.67	20.57	11.9	22.12	9.21	NA
Mar--03	10.27	11.52	11.61	15.53	9.86	18.63	10.47	19.23	8.64	NA
Average	12.64	8.74	14.804	15.85	12.956	15.272	12.908	18.35	6.992	7.78
Rank	7	8	4	2	5	3	6	1	10	9

Average Net Profit Margin ration is highest (6.992 %) in Karnataka Bank and lowest (12.95%) in South Indian Bank respectively. ICICI bank comes in the middle of the periphery. In Bank of Rajasthan the variation is quite moderate.

Earning Per Share:- EPS serves as an indicator of a company's profitability and has been shown in the following table:

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar—07	23.4	10.28	28.5	35.74	34.58	4.33	14.59	32.33	7.23	3.37
Mar—06	17.41	1.42	23.49	27.81	28.55	3.82	14.52	75.28	1.82	2.05
Mar—05	12.22	3.26	19.3	21.48	27.22	6.88	12.14	58.59	23.57	NA
Mar—04	12.02	6.42	23.77	17.89	26.56	13.22	32.94	89.57	20.23	NA
Mar—03	8.35	6.46	13.91	13.74	19.69	7.59	27.24	76.15	17.46	NA
Average	14.68	5.568	21.794	23.332	27.32	7.168	20.286	66.384	14.062	2.71
Rank	6	9	4	3	2	8	5	1	7	10

5. LIQUIDITY:-

Liquidity is one of the important parameters through which the performance of a Bank is assessed. This parameter of CAMEL Model assesses the ability of a Bank to pay its short term liabilities towards its deposit holders in a particular span of time. It can be measured with the help of the following ratio: **Liquid Assets/ Total Assets:** - Liquid assets include cash in hand, balance with other banks (both in India and abroad), and money at call and short notice. The ratio is arrived by dividing liquid assets by total assets.

	Axis Bank	Bank of Rajasthan	City union Bank	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	Karnataka Bank	Karur vysya Bank	South Indian bank	Yes Bank
Mar--07	9.44	20.4	9.22	10.03	10.77	6.5	7.16	6.97	14.25	11.64
Mar--06	7.32	29.7	6.45	9.41	6.77	5.82	8.11	8.67	12.4	5.17
Mar--05	13.97	26.8	6.48	8.69	7.71	6.43	10.94	8.3	7.39	4.14
Mar--04	23.44	16.3	7.5	8.64	6.76	11.65	7.07	8.4	8.69	NA

Mar--03	18.2	16.5	6.75	10.41	6.07	3.55	6.85	11.13	10.21	NA
Average	14.47	21.9	7.28	9.436	7.616	6.79	8.026	8.694	10.588	6.98333
Rank	2	1	8	4	7	10	6	5	3	9

Group Ranking:-

For Group ranking, Group has been computed by adding the ranks of Individual Ratios in the group and dividing it by the number of ratios in that group. After computing the Group Average, Group ranking has been done accordingly.

Capital Adequacy:-

Banks	CAR Rank	ADV/AST Rank	Group Average	Rank
Axis Bank	8	9	8.5	9
Bank of Rajasthan	9	10	9.5	10
City union Bank	4	3	3.5	3
HDFC Bank	6	8	7	7
ICICI Bank	7	6	6.5	6
Kotak Mahindra Bank	3	4	3.5	3
Karnataka Bank	5	7	6	5
Karur vysya Bank	2	1	1.5	1
South indian bank	10	5	7.5	8
Yes Bank	1	2	1.5	1

Asset Quality:

Banks	Gross NPAs to Gross Advances	Percentage Change in NPAs	Priority Sector Advances	Group Average
Axis Bank	4	7	6	5.7

Bank of Rajasthan	6	1	7	4.7
City union Bank	8	4	1	4.3
HDFC Bank	3	9	9	7.0
ICICI Bank	5	8	8	7.0
Kodak Mahindra Bank	2	10	4	5.3
Karnataka Bank	10	5	3	6.0
Karur vysya Bank	7	2	2	3.7
South indian bank	9	3	5	5.7
Yes Bank	1	6	10	5.7

Management:-

Banks	Total advances to Total Deposits	Net Profit Per Employee	Reported Return on Net worth	Group Average	Rank
Axis Bank	9	2	2	4.3	2
Bank of Rajasthan	10	10	3	7.7	9
City union Bank	5	7	1	4.3	2
HDFC Bank	6	3	5	4.7	5
ICICI Bank	2	1	7	3.3	1
Kotak Mahindra Bank	1	4	9	4.7	5
Karnataka Bank	8	8	6	7.3	8
Karur	4	5	4	4.3	2

vysya Bank					
South Indian bank	7	9	8	8.0	10
Yes Bank	3	6	10	6.3	7

Earning Quality:

Banks	Income from Fund Advances as a % of Operating income	Operating income as a % of Working Funds	Fund based Income as a % of Op Income	Fee based income as a % of Op Income	Net Profit Margin Ratio	Earning Per Share	Group Average	Rank
Axis Bank	9	3	7	4	7	6	6.0	7
Bank of Rajasthan	10	1	4	8	8	9	6.7	9
City union Bank	2	5	2	9	4	4	4.3	2
HDFC Bank	8	4	9	2	2	3	4.7	3

ICICI Bank	5	6	8	3	5	2	4.8	4
Kotak Mahindra Bank	1	9	6	5	3	8	5.3	6
Karnataka Bank	7	2	3	7	6	5	5.0	5
Karur vysya Bank	4	8	5	6	1	1	4.2	1
South indian bank	3	7	1	10	10	7	6.3	8
Yes Bank	6	10	10	1	9	10	7.7	10

Composite Ranking: - Composite Ranking reveals the Comparative position of the Banks as a whole. It has been computed by using following procedure:

Computation of Composite Average=

Group Average (Capital Adequacy+ Asset Quality+ Management+ Earning quality+ Liquidity)/no of groups (5)

On the Basis of Composite Average, these banks have been ranked. The bank which has the highest Composite average has been given 10th rank and Vice Versa.

Banks	Capital Adequacy	Asset Quality	Management	Earning Quality	Liquidity	Composite Average	Composite Rank
Axis Bank	8.5	5.7	4.3	6	14.5	7.8	9
Bank of Rajasthan	9.5	4.7	7.7	6.7	21.9	10.1	10

City union Bank	3.5	4.3	4.3	4.3	7.3	4.7	2
HDFC Bank	7	7	4.7	4.7	9.4	6.6	7
ICICI Bank	6.5	7	3.3	4.8	7.6	5.8	5
Kotak Mahindra Bank	3.5	5.3	4.7	5.3	6.8	5.1	3
Karnataka Bank	6	6	7.3	5	8.0	6.5	6
Karur vysya Bank	1.5	3.7	4.3	4.2	8.7	4.5	1
South indian bank	7.5	5.7	8	6.3	10.6	7.6	8
Yes Bank	1.5	5.7	6.3	7.7	7.0	5.6	4

The above analysis shows that Karur Vysya bank has the Top position as far as overall performance is concerned followed by City Union Bank and Kotak Mahindra Bank respectively. Though Kotak Mahindra Bank stands at the 3rd position but its weakest area is Management of Non Performing Assets. Being a new Bank, the performance of YES bank is very impressive and it has scored the 4th position. ICICI and Karnataka Bank are falling almost in the middle of the Composite Rank. It is worth mentioning here that Bank of Rajasthan which is in operation from a long time, but the overall performance is far from satisfactory. It has got the lowest Composite Rank among all the Banks under study.

Conclusion:

Today Indian banking is at a cross road. On the one hand it has challenges to meet the Basel II deadlines, on the other it has the challenge to face stiff competition from foreign banks in time to come. One of the important issues to be addressed in this regard is the consolidation of the Indian banks to face the threats from the foreign rivals. Recently some mergers and acquisitions have been taken place in Indian banking sector for example ICICI Bank's acquisition of Sangli Bank and IDBI's takeover of United Western's

Bank can be quoted here. Recently the consolidation of Ceturion Bank of Punjab with HDFC Bank has become a debatable issue (*CNBC News dated 21st Feb'2008*). Infact in most of the cases in past consolidation process has been the result of problems related to weak capitalization and financial profile rather than motive of gaining size and scale. To improve the financial performance of the Banks; this issue has to be taken care of seriously. More specifically Banks should expand their business in unbanked areas particularly rural and remote areas. Management of Non Performing Assets and Risk emanating from adverse events is the key to the higher profitability of the Indian Banking. In nutshell it can be concluded that transparency and good governance would work as principal guiding force in present scenario.

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