Major Research Project on

A STUDY OF THE STATE BANK OF INDIA'S PERFORMANCE USING THE CAMELS METHOD OF ANALYSIS

Submitted By:

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23/DMBA/92

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CERTIFICATE

This is to certify that **Priyam Singh,** roll no. **23/DMBA/92** has submitted the summer internship project report titled **" A STUDY OF THE STATE BANK OF INDIA'S PERFORMANCE USING THE CAMELS METHOD OF ANALYSIS"** in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) from Delhi School of Management, Delhi Technological University, New Delhi during the academic year 2024-2025.

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DECLARATION

I, **Priyam Singh,** hereby declare that the Summer Internship Project Report entitled **" A STUDY OF THE STATE BANK OF INDIA'S PERFORMANCE USING THE CAMELS METHOD OF ANALYSIS"** submitted to Delhi Technological University is a record of my original work done under the guidance of **Dr. Deepali Malhotra, Assistant Professor, Delhi School of Management, Delhi Technological University.** This project report is submitted in partial fulfilment of the requirements for the award of the degree of MBA in Human resources and Finance.

I also declare that this project report has not been submitted to any other university or institute for the award of any degree or diploma.

Priyam Singh
23/DMBA/92
Date: 09/12/2024

ACKNOWLEDGEMENT

“Successful Passage and outcomes of every work comes with dedication, determination and team work. All these turn futile in absence of a visionary guidance”

I gracefully acknowledge my profound ineptness towards my esteemed guide, Dr. Deepali Malhotra for her invaluable guidance , excellent supervision and constant encouragement during the entire duration of the project. This project would never have been possible without her guidance and supervision.

Priyam Singh
23/DMBA/92
Date: 09/12/2024

EXECUTIVE SUMMARY

State Bank of India (SBI) is a leading financial institution in India, offering a wide range of banking products and services. This analysis provides an in-depth assessment of SBI's financial performance and overall health based on the CAMEL framework, which evaluates Capital adequacy, Asset quality, Management quality, Earnings capability, and Liquidity position.

Capital Adequacy: SBI maintains a strong capital adequacy ratio (CAR), exceeding regulatory requirements. The bank's robust capital base provides a solid foundation for growth and helps mitigate risks associated with unexpected losses.

Asset Quality: SBI has managed its asset quality effectively, maintaining a low level of non- performing assets (NPAs). This reflects prudent lending practices, rigorous risk assessment, and proactive measures to address potential credit risks.

Management Quality: SBI's management has demonstrated strong leadership and governance practices. The bank has implemented effective strategies to drive growth, manage risks, and enhance shareholder value. Management's focus on innovation and customer-centricity has contributed to SBI's competitive position in the market.

Earnings Capability: SBI has consistently delivered strong earnings, supported by diverse revenue streams and efficient cost management. The bank's profitability ratios compare favorably with industry peers, highlighting its ability to generate sustainable earnings over the long term.

Liquidity Position: SBI maintains a comfortable liquidity position, with sufficient liquid assets to meet short-term obligations. The bank's liquidity management practices are robust, ensuring its ability to withstand liquidity shocks and meet customer demands.

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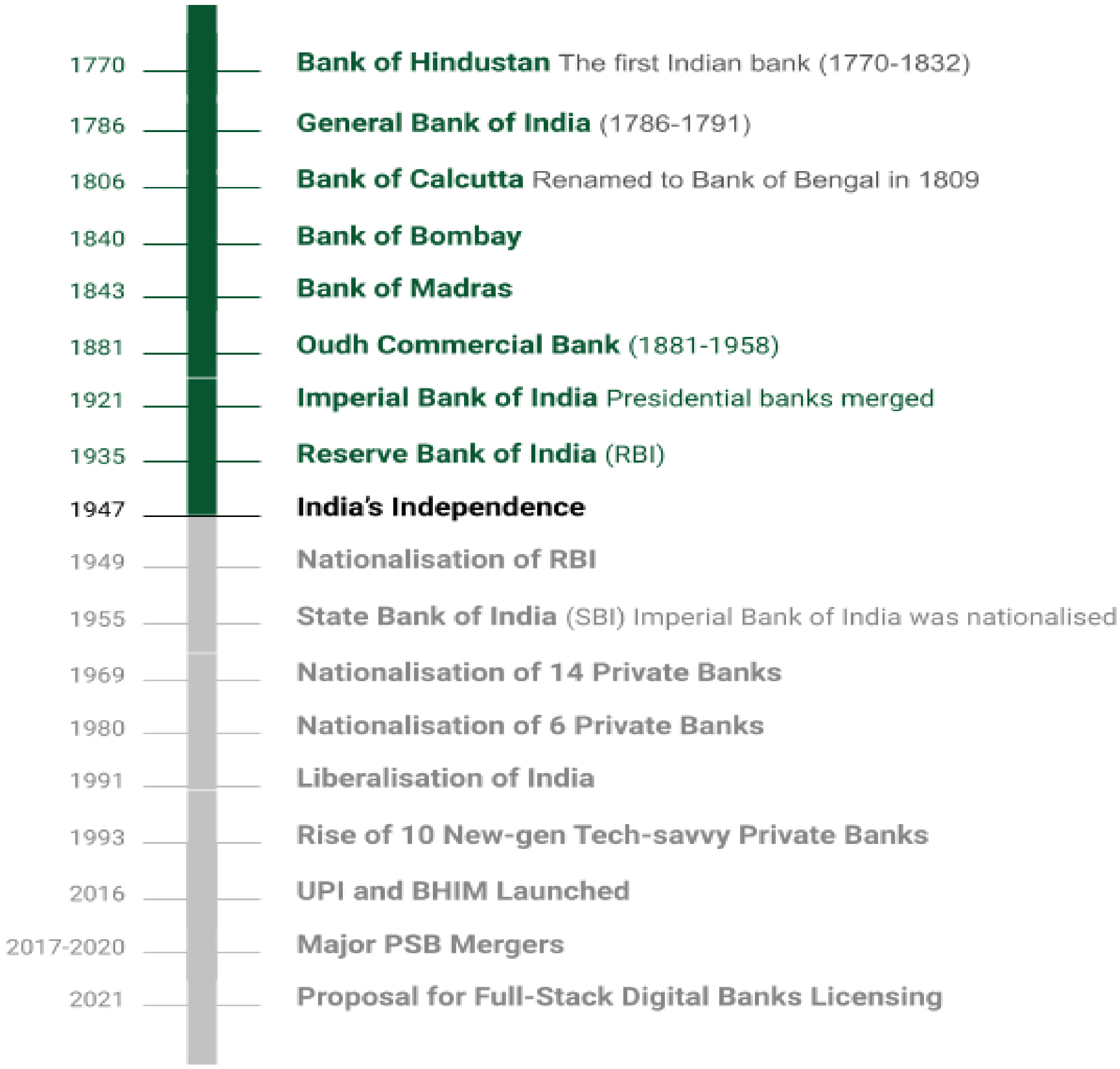
1. INTRODUCTION TO INDUSTRY

The banking system is considered almost as old as civilization and has existed in varied forms, and the banking system in India is no exception to that. Before we deep dive into the evolution of banking in India, let's take a look at the banking scene in the world. Here's a short video that captures the evolutionary process of banking, with a few pre-historic and mythological elements thrown in as a homage to our curious and imaginative ancestors. The banking system of a country upholds its economic development. Considering the economic condition of people, the need for financial services and the advancements in technology that followed, the banking sector in India has gone through major transformations over the past five centuries. There you must understand the different types of banking systems in India.

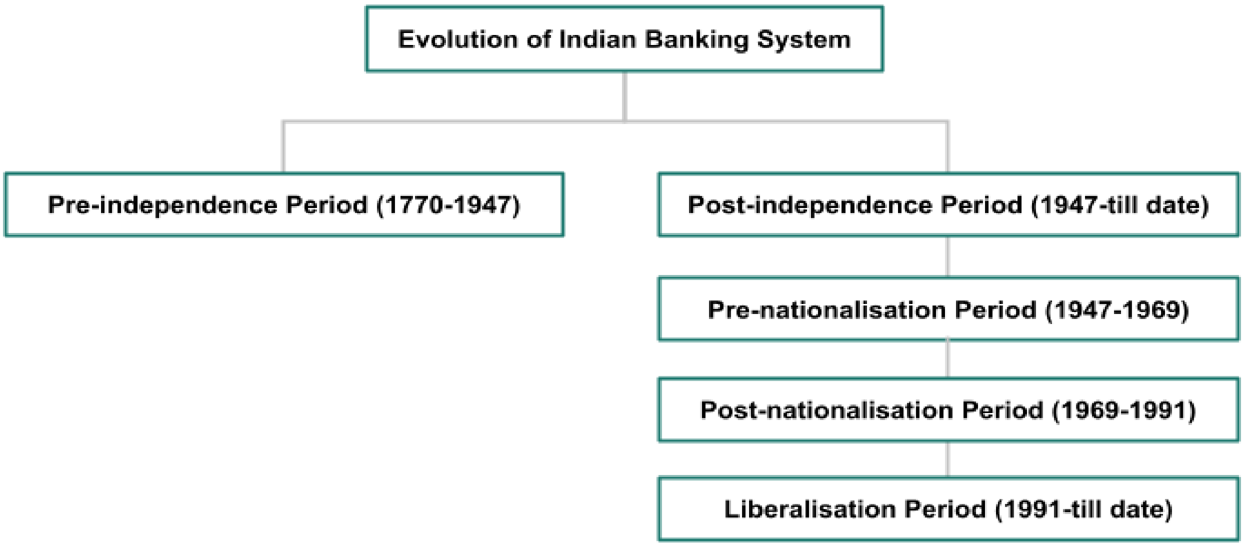
It's interesting to track the history of the banking system in India.



Let's take a look at the banking evolution in India from the time the first bank was established in India to the current mobile banking era–what happened in between. The history of banking in India can be broadly classified as:

- Pre-independence Phase (1770-1947)
- Post-independence Phase (1947-till date): To understand this phase better, we'll break it down further into:

- Pre-nationalization Phase (1947-1969)
- Post-nationalization Phase (1969-1991)
- Liberalization Phase (1991-till date) Let's deep dive into each one of these eras.



The Pre-Independence Phase (1770-1947)

The organized banking sector in India dates back to more than a century before independence when the Bank of Hindustan–the first bank of India was established in 1770 in the then-Indian capital, Calcutta. It failed in due course and was liquidated in 1832. Subsequently, several banks like the General Bank of India (1786-1791) and the Oudh Commercial Bank (1881- 1958) established during the pre-independence era didn't last very long either.

The Bank of Bengal, Bank of Bombay, and Bank of Madras, established by the East India Company during the early to mid-1800s–together known as the Presidential Banks were later merged in 1921 to form the Imperial Bank of India. It was later nationalised in 1955 and named the State Bank of India (SBI). In 1959, the SBI was given charge of 7 subsidiary banks, making it India’s largest Public Sector Bank

Subsidiary banks of SBI	
State Bank of Bikaner & Jaipur	State Bank of Mysore
State Bank of Hyderabad	State Bank of Patiala
State Bank of Indore	State Bank of Saurashtra
State Bank of Travancore	

(PSB).

As many as 600 banks were founded during this period. While many major banks failed to work due to a lack of proper management skills, machines, and technology

Pre-independence banks currently operating in India	
Bank Name	**Year of Establishment**
Allahabad Bank	1865
Punjab National Bank	1894
Bank of India	1906
Canara Bank	1906
Bank of Baroda	1908
Central Bank of India	1911

which led to time- consuming processes and human errors, leaving the Indian account holders fraud-prone. A few banks survived the test of time and exist even today:

Between 1906 and 1911, inspired by the Swadeshi movement, several local businessmen and political figures established banks for the Indian community. Many of these are still operational.

During the First World War (1914-1918), till the end of the Second World War (1939-1945), and two years later, until the independence of India, the banking system witnessed turbulent times leading to the collapse of a large number of banks.

The Post-Independence Phase (1947-1991)

It is one of the most important phases of the history of banking in India. Post-independence, the evolution of the Indian banking system continued when the Government of India (GOI) adopted the approach of a mixed economy in 1948 with extensive intervention in markets to strengthen the economy. The Reserve Bank of India (est. 1935) was nationalised in 1949, and it was empowered to regulate, control, and inspect all banks in India.

Nationalisation In 1969

In the 1960s, the RBI had become a large employer, and the Indian banking industry had begun playing an important role in supporting economic development. Yet, except for SBI, most banks continued to be run by private entities.

The Government of India issued the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance in 1969 and nationalized the 14 largest commercial banks in India at that time.

14 Commercial Banks Nationalized in 1969	
Allahabad Bank (now Indian Bank)	Indian Bank
Bank of Baroda	Indian Overseas Bank
Bank of India	Punjab National Bank
Bank of Maharashtra	Syndicate Bank (now Canara Bank)
Central Bank of India	UCO Bank
Canara Bank	Union Bank of India
Dena Bank (now Bank of Baroda)	United Bank of India (now Punjab National Bank)

Nationalization In 1980

6 Commercial Banks Nationalised in 1980	
Andhra Bank (now Union Bank of India)	Oriental Bank of Commerce (now Punjab National Bank)
Corporation Bank (now Union Bank of India)	Punjab and Sind Bank
New Bank of India (now Punjab National Bank)	Vijaya Bank (Now Bank of Baroda)

The second wave of Nationalization followed in 1980 with 6 more commercial banks, which later became an integral part of the history of banking in India.

Reasons For Nationalization Of Banks In India

The nationalization of Indian banks was a major development in the course of the evolving Indian banking industry. It also impacted the functioning of various types of banks. To understand the impact it caused and played a major role in shaping the industry, let's deep-dive into the scenarios that led to it. There was a dire need to:

- Promote the economic development of the country
- Develop confidence in the banking system of India
- Prevent the concentration of economic power in the hands of a select few

- Improve the efficiency of the banking industry
- Create a socio-economic balance
- Mobilize the national savings and channel them into productive purposes
- Sectors such as exports, agriculture, and small-scale industries were lagging behind
- Serve the large masses of the rural population.

Positive Impacts of Nationalisation

The nationalisation of the Indian banks was a major milestone in the evolution of banking in India that played a major role in guiding its future course. The nationalisation of banks in India became a milestone step in the direction of financial prosperity, especially in rural India, when there were no major banks. The nationalised banks in India helped to improve the efficiency of the banking system.

It also boosted the confidence of people in banks. The lagging sectors like small industries and agriculture got a substantial boost. The nationalised banks also raised the funds thus helping the Indian economy grow by leaps and bounds. After the nationalisation, different types of banks in India were established.
Currently, there are 12 nationalised banks in India. Here're a few benefits that made a difference:

- Better outreach: The penetration of banks increased when branches were opened in the remotest corners of the country.
- Increased savings: With the opening of new branches, since more people had access to banks, the average domestic savings increased twofold
- Surged public deposits: The increased reach of banks helped small industries, agriculture, and the export sector grow, leading to a proportionate increase in public deposits.
- Increased efficiency: The added accountability led to improved efficiency and increased public confidence
- Empowered small scale industries (SSIs): The SSIs received a boost resulting in considerable growth in the economy.

- Provided employment opportunities: RBI, post its nationalization, had already set a precedence of becoming one of the largest employers. This continued further, with more banks following the lead.
- Improved agricultural sector: Marginal farmers could receive credit from banks at economic rates, which gave a massive boost to India's agricultural sector

Liberalization In 1901

In 1991, the GOI adopted economic liberalization that brought about a massive change in its economic policies to enhance the participation of private and international investments. The RBI approved 10 private banks in India:

Foreign Banks that Opened in 1993 Following Liberalisation in India	
Global Trust Bank (now Oriental Bank of Commerce)	IndusInd Bank
ICICI Bank	Centurion Bank
HDFC Bank	IDBI Bank
UTI Bank (now Axis Bank)	Times Bank
Bank of Punjab	Development Credit Bank

In a few years, Kotak Mahindra Bank (2001), Yes Bank (2004), IDFC (2015), and Bandhan (2015) banks joined the league.

Positive Impacts of Liberalization

Here's how liberalization revolutionized the Indian banking picture:

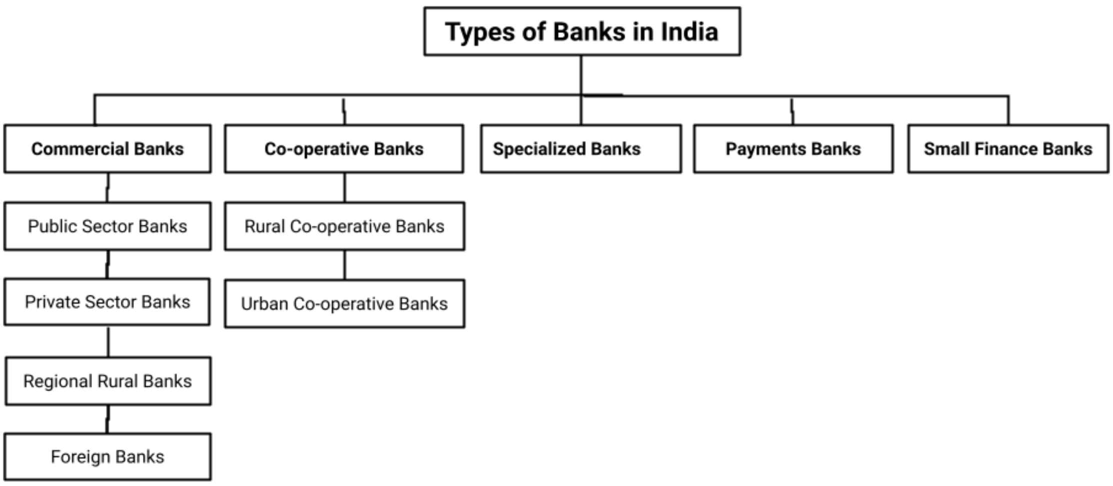
Revitalized the banking sector and led to the rapid and strong growth of government banks, foreign banks, and private banks in India

- A modern and tech-based approach started setting into traditional banks
- Paved path for Payments banks
- Small finance banks came into existence
- The digitalisation of bank transactions and operations became a norm

- Foreign banks such as Bank of America, Citibank, HSBC, etc., set up branches in India. Currently, there are 46 international banks in the country.
- Nationalisation of banks took a pause. Instead, the Indian banking sector witnessed several mergers in the public sector banks in the following years:

Bank Mergers in India Post-liberalisation	
2017	**SBI Merger (largest PSB)**
	State Bank of Patiala
	State Bank of Hyderabad
	State Bank of Bikaner & Jaipur
	State Bank of Mysore
	State Bank of Travancore
2019	**Bank of Baroda Merger (3rd largest PSB)**
	Dena Bank
	Vijaya Bank
	Punjab National Bank Merger (2nd largest PSB)
	Oriental Bank of Commerce
	United Bank of India
	Union Bank of India Merger
	Andhra Bank
	Corporation Bank
	Indian Bank Merger (7th largest PSB)
	Allahabad Bank
2020	**Canara Bank Merger (4th largest PSB)**
	Syndicate Bank

Different Types of Banks In India



So far, we have discussed at length the evolution of the Indian banking system. To sum it up, your bank is bound to fall into one of the following categories. Let's take a closer look at the key features of various types of banks in India:

Commercial Banks

Commercial banks in India function solely to generate profits by accepting deposits and giving out loans. Commercial banks are regulated by the Banking Regulation Act of 1949. Their primary function involves collecting deposits and offering loans to various entities like people, corporations, and governments. Commercial banks can be owned by the government or by private entities and are grouped into 4 categories:

- **Public sector banks:** These are the banks in which the GOI owns the majority of the stock. Public sector banks in India function under the government to establish trust in the bank customers that their money is safe. The government issues financial guidelines for public sector banks in India. The public sector banks charge less for their services than private banks in India.

- **Private sector banks:** In these banks, a private entity, an individual, or a group of people own the majority of the stock. The RBI lays the guiding rules for the private sector banks, which are the same for all banks in India.
- **Regional rural banks:** These are unique commercial banks that lend at a reduced rate for agricultural purposes in rural areas to boost the rural economy.
- **Foreign banks:** These are banks that are headquartered overseas with branches in India.
-

Co-Operative Banks

Co-operative banks were set up to enhance social welfare by providing short-term low-interest loans to agriculture and related industries. Co-operative banks are financial entities established on a cooperative basis and belong to their members.

This means that the customers of a cooperative bank are also its owners. These can be further categorised as:

- **Rural co-operative banks:** These mainly finance agriculture-based activities, including farming, dairy, and fish culture, along with small-scale industries and self- employment activities.
- **Urban co-operative banks:** These banks finance people for self-employment, industries, small-scale units, and home finance.

Specialized Banks

Between 1982-1990, the government established several specialised banking institutions with specific requirements for sectors like agriculture, foreign trade, housing, and small-scale industries. And the evolution of financial services in India began with noteworthy financial institutions like:

- **NABARD** (National Bank for Agriculture and Rural Development,1982) to support agricultural activities
- **EXIM** Bank (Export-Import Bank of India, 1982) to promote export and import
- **National Housing Bank** (1988) to finance housing projects
- **SIDBI** (Small Industries Development Bank of India, 1990) to fund small-scale industries

Now that you have understood commercial banks. Let's take a look at payment banks and the types of banking systems in India.

Payments Banks

Payments banks are a newer genre of banks conceptualised by the RBI in 2014 to operate on a smaller scale with minimal credit risk. The main objective was to advance financial inclusion by offering banking and financial services to the unbanked and underbanked segments.
Payments banks come with certain limitations they can accept deposits of only up to ₹2 lakhs per customer and can't issue loans or credit cards. However, they can offer both current and savings accounts, issue ATM and debit cards, and offer net

banking and mobile banking. The convenience of making online payments through mobile apps marked the evolution of e- banking in India.

India currently has 6 Payments banks:

Payments Banks in India	
Airtel Payments Bank	Jio Payments Bank
Fino	NSDL Payments Bank
India Post Payments Bank	Paytm Payments Bank

Small Finance Banks

Small finance banks were granted approval by the RBI in 2016 to extend financial inclusion to people who are not served by regular banks. It's a niche category of banks that provides savings facilities and credit to small businesses, small and marginal farmers, and micro and small industries through modern technology at low-cost operations.

Here're some of the operational small finance banks in India:

Small Finance Banks in India	
A U Small Finance Bank	Janalakshmi Small Finance Bank
Capital Small Finance Bank	Northeast Small Finance Bank
Equitas Small Finance Bank	Suryoday Small Finance Bank
ESAF Small Finance Bank	Ujjivan Small Finance Bank
Fincare Small Finance Bank	Utkarsh Small Finance Bank

Digital Banking In India

Digital banking basically means the digitization of all banking activities that were traditionally available only by visiting a bank branch–opening an account, transferring funds, making payments, etc.
In 2016, the GOI launched the UPI (Unified Payment Interface) System and BHIM by the National Payments Corporation of India (NPCI), setting off the digital payments revolution with what we popularly know as mobile banking.

Following the advancements in technology, several fintechs in the country have taken digital banking to the next level in partnership with traditional banks to bring an array of financial services.

In 2021, Niti Aayog proposed setting up full-stack 'digital banks', which will entirely rely on the internet to offer their services and not on their physical branches. This is expected to revolutionize digital banking in India.

STATE BANK OF INDIA (SBI)

State Bank of India (SBI) a Fortune 500 company, is an Indian Multinational, Public Sector Banking and Financial services statutory body headquartered in Mumbai. The rich heritage and legacy of over 200 years, accredits SBI as the most trusted Bank by Indians through generations.

SBI, the largest Indian Bank with 1/4th market share, serves over 48 crore customers through its vast network of over 22,405 branches, 65,627 ATMs/ADWMs, 76,089 BC outlets, with an undeterred focus on innovation, and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability.

The Bank has successfully diversified businesses through its various subsidiaries i.e SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, SBI Card, etc. It has spread its presence globally and operates across time zones through 235 offices in 29 foreign countries.

As per the bank, "SBI has been the most trusted brand on the banking horizon in India. The bank believes that it owes a solemn duty to the less fortunate and underprivileged members of the society to make sustainable social change in their lives." Bank's customised savings products are designed for people from all age groups - from children to young adults to the elderly.

SBI's loan products, including home, personal loans, car loans, debit and credit cards and travel cards, cater to all kinds of customers, claims the bank. The bank also deals in education loans, health insurance options, vehicle and home insurance, demat accounts, wealth management, precious metals and private banking.

On the technology front, SBI says it has expanded the digital base of the bank manifold in recent years. The bank also claims to play a vital role in making the Government of India's Digital India Initiative a reality.

Growing with times, SBI continues to redefine banking in India, as it aims to offer responsible and sustainable Banking solutions.

Establishment and History of SBI

The establishment of the State Bank of India is rooted back in the 18th Century in Kolkata, earlier it was named Bank of Calcutta then re-named as Bank of Bengal established on June 2, 1860. At that time there were three presidency banks namely the Bank of Bombay, Bank of Madras and the third was Bank of Bengal. The major reasons why these three presidential Anglo-Indian Banks came into existence are:

- Implication of issuing the finance under the separate presendinties
- Separate needs of the local European commerce
- Before the onset of Independence, India faced several economic crises making it harder for the modernization of the Indian Economy.

Earlier, the paper currency being circulated throughout the nation was issued by these banks until 1861 when the Paper Currency Acts was passed and the Government of India was authorised to print these currency notes. In 1955, the State Bank of India Act was passed which stated that the Reserve Bank of India will be the body ruling over the Imperial Banks of India. The Imperial bank of India became the State Bank of India on July 1, 1955 and then in 2008, the Government of India took over the Reserve Bank of India’s stakes in SBI.
Later in 1959, a Subsidiary Banks Act was passed leading to eight State Banks associate with the State Bank of India. After this act, the SBI has been acquiring

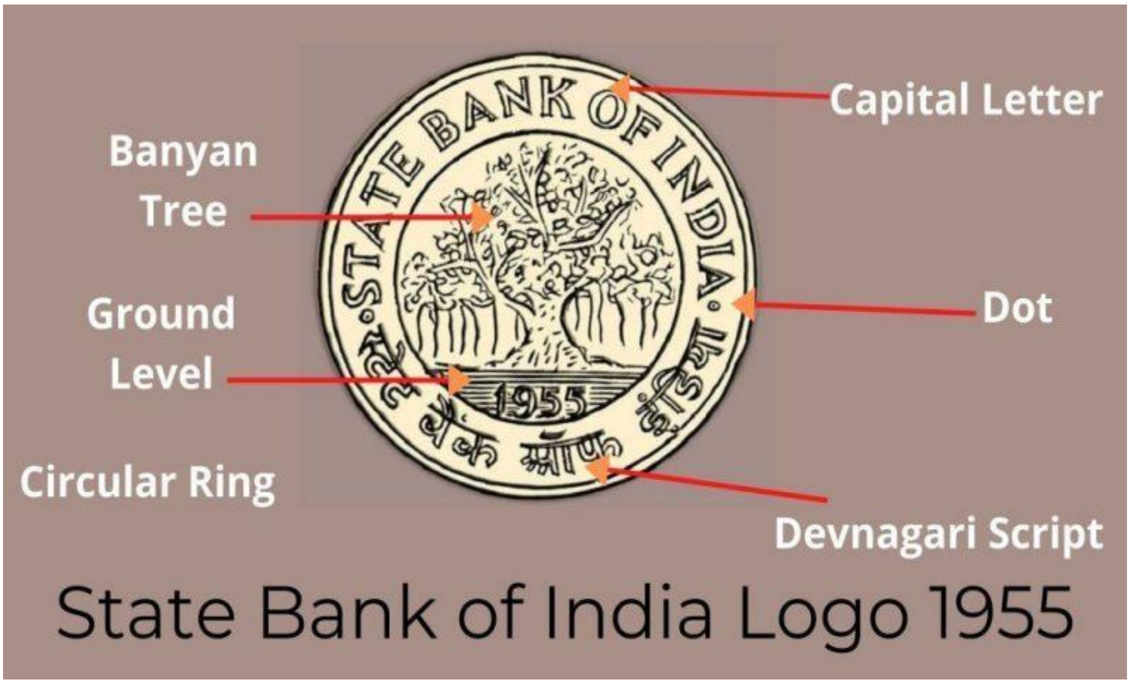
several State banks. The first one to be acquired was the Bank of Bihar in 1969 in which the SBI acquired all its corresponding 28 branches as well. Next up was the National Bank of Lahore along with its 24 branches. Further in the same way, Krishnaram Baldeo Bank, Bank of Cochin and State Bank of Travancore were also associated with the State Bank of India. Now all these banks come under the State Bank of India and are represented by the Blue Keyhole logo.
The major reasons for the establishment of this wide network of the State Bank of India was due to the adoption of the ideas from movements which were being held in England and Europe. Also the rapidly changing and non-trustable local reading environment was not helping to stabilise the Indian Economy or the Global Economic Structure.

Historical Chronology of SBI

- The State Bank of India traces its roots to the Bank of Calcutta, which was founded on June 2, 1806 in Calcutta. The bank was renamed the Bank of Bengal three years after receiving its charter (2 January 1809).
- The Government of Bengal funded the first joint-stock bank in British India. The Bank of Bengal was followed by the Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843).
- These three banks remained at the pinnacle of Indian modern banking until they merged to form the Imperial Bank of India on January 27, 1921.
- The Imperial Bank had a capital basis (including reserves) of INR 11.85 crores, deposits and advances of INR 275.14 crores and INR 72.94 crores, and a network of 172 branches and more than 200 sub-offices spanning the country when India gained independence.
- By taking over the Imperial Bank of India, the All India Rural Credit Survey Committee advocated the formation of a state-partnered and state-sponsored bank. In May 1955, Parliament enacted an act, and the State Bank of India was established on July 1, 1955.
- The State Bank of India (Subsidiary Banks) Act of 1959 allowed the State Bank of India to acquire eight previous State-associated banks as subsidiaries (later named Associates).

State Bank of India Logo

When the State Bank of India was created on July 1st, 1955, this was its first logo. The Banyan tree in the emblem represents the bank’s strength and ability to propagate and develop in all directions.



The State Bank of India’s current logo is a blue circle with a slight incision at the bottom. Shekhar, the alumnus of Ahmedabad’s National Institute of Design, designed it. On the day of the inauguration of the SBI Central office building at backbay reclamation Bombay on October 1, 1971, the logo was unwieldy.

State Bank of India

This logo can be interpreted in a variety of ways. One is that the small circle and vertical line against the blue background resemble a keyhole, which is a symbol of safety, security, and strength. The Kankaria Lake in Ahmedabad is thought to have provided inspiration for this design.

State Bank of India- Current position

State Bank of India is one of the most widely recognised banks in India. It is also one of the oldest banks in the country. It has a huge market capitalization and has many branches within the country and overseas making it a tough competitor among the private sector banks present.
State Bank of India has grown many folds since its establishment, they have gained this through the new tie-ups making the growth potential quite large. Some of these tie-ups include Net banking, Private Equity, Pension Funds, General Insurance, etc. Other than this the wholesale banking capacity of the bank is among the top end of the market when it comes to offering the nation with several services and products.

- The State Bank of India is a giant in its own right, and there are several reasons that contribute to that. It is the oldest bank in the country currently if you go by the size of its balance sheet.
- Additionally, its market capitalization, hundreds of bank branches and the number of profits are helping it give stiff competition to other private sector banks in the country.
- Presently, the bank is getting into a couple of new business with strategic tie-ups, which have quite a large growth potential. Some of these tie-ups are General Insurance, Pension Funds, Private Equity, Custodial Services, Mobile Banking, Structured Products, Advisory Services, and Point of Sale Merchant Acquisition etc.
- Additionally, it is concentrating on wholesale banking capacities and the top end of the market, in order to offer India’s corporate sector with numerous services and products.
- Gaining entry in the field of derivative instruments and structured products along with the consolidation of the global treasury operations is also something they are focusing on now.

- As of now, the State Bank of India is the biggest arranger responsible for external commercial borrowings in the country and is the biggest provider of infrastructure debt. In addition, it is the sole Indian bank to be a part of the Fortune 500 list.
- Apart from banking, State Bank of India was also associated with non-profit ventures since 1973, such as Community Services Banking. In such cases, administrative offices and branches all over the country sponsor and take part in a huge number of social causes and welfare activities.
- Additionally, they had also launched three digital banking facilities, in order to make financial transaction an easier affair for their customers.
- Two of the digital banking facilities specialize in providing their services at the customers' doorstep by utilizing the method of TAB banking (One for housing loan applicants and the other for customers looking to open a savings account).
- The third banking facility specializes in the KYC process (Know Your Customer). The other services, which are offered by the State Bank of India, are the following-
    - Personal Banking
    - Rural/ Agriculture
    - Small and Medium Enterprise (SME)
    - Domestic Treasury
    - NRI Services
    - International Banking
    - Corporate Banking
    - Government Business

State Bank of India- Directors

SBI Directors	
Chairman	Dinesh Kumar Khara
Managing Director	Ashwani Bhatia

Managing Director	C.S. Shetty
Managing Director	Swaminathan J.
Managing Director	Ashwini Kumar Tewari

State Bank of India- headquarters

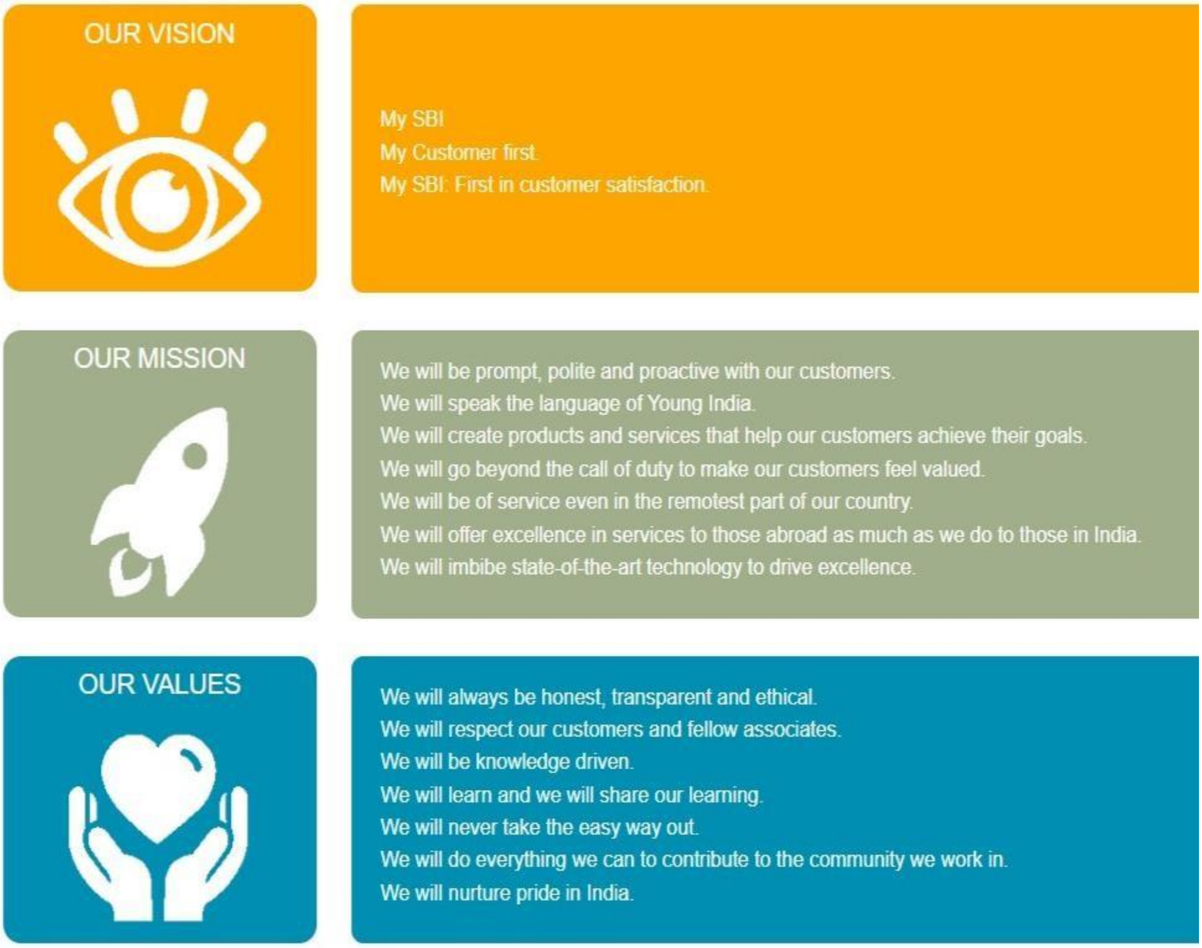
SBI Headquarters	
Offices	Location and Number
Corporate Center	Mumbai
Corporate Center	17
Zonal Offices	101
Foreign Offices	208 in 36 Countries

State Bank of India- Subsidiaries

SBI Subsidiaries and Joint Venture
SBI Capital Markets Ltd.
SBI Cards & Payment Services Ltd.
SBI Funds Management (P) Ltd.
SBI Global Factors Ltd.
SBI Life Insurance Co. Ltd.
SBI DFHI Ltd.
SBI General Insurance Co. Ltd.

Interesting facts about State Bank of India

- SBI's first chairman were John Mathai.
- The State Bank of India is India's largest public sector bank.
- Why SBI is the only bank to provide SBIePay, a payment aggregation system that offers the following advantages.
- Customers can pay quickly and easily on the merchant's website.
- Merchants have a variety of cost-effective payment methods.
- Various value-added services, such as detailed MIS and a merchant panel controlled by the user.
- The Asian Banker has named SBI the "Best Transaction Bank in India" and "Best Payment Bank in India" in their Business Achievement Awards 2019.
- In 2017, the State Bank of India released YONO (You Only Need One), a unified integrated app that offers banking and leisure offerings.
- SBT has a total of 22,000 branches, 58,500 ATMs, and 66,000 BC locations



CAMELS Rating System

A rating system to assess a bank's overall condition

What do we Mean by CAMELS Approach?

CAMELS approach is a widely accepted and internationally acclaimed system of ratings of banks and financial institutions. It was proposed in 1988 by the Basel Committee on Banking Supervision of the BIS (Bank of International Settlements). Analysts and regulatory bodies use this approach to measure the risk and performance of financial institutions. This is an approach to monitor and supervise the banking operations. Or we can say the robustness or otherwise of the bank under scrutiny. Through this approach, we can effectively and efficiently assess the current and future potential risks the bank may face. CAMELS is an acronym for six key performance parameters. C stands for **C**apital adequacy, A for **A**sset quality, M for **M**anagement capabilities, E for **E**arnings sufficiency, L for **L**iquidity position, and S for **S**ensitivity to market risk.

Methodology and Interpretation

Analysts assign ratings to the financial bodies on the scale of 1 to 5 on the above six parameters. The assigned rating works in a sequential manner, where a rating of 1 is considered the best. A higher rating means deterioration in parameter quality, with a rating of 5 being the worst. These ratings are used only for top management to take control and corrective measures. And for regulatory bodies to determine if the financial institution is in good condition to operate or not.

CAMELS approach and rating system, like any other rating system, helps one identify the financial institutions' strengths and weaknesses. More importantly, the approach is helpful to identify the solvency and insolvency position of the institution. It helps to identify a failing institution at the right time. Therefore, this helps to take corrective measures and save them.

Six key Parameters of CAMELS Approach

The components of CAMELS are:

- (C)apital adequacy
- (A)ssets
- (M)anagement capability
- (E)arnings
- (L)iquidity
- (S)ensitivity

Capital Adequacy

No one can deny the importance and critical status of Capital adequacy for the success of any financial institution. Hence, every banking and financial institution should have adequate capital, and it will help it absorb the losses arising out of defaults, operational losses, natural calamities, disasters, etc. Thus, the institution should have adequate capital to meet these losses and still be financially safe and secure without any threat of insolvency to carry on the operations smoothly.
Basel III norms prescribe the minimum capital requirements for financial institutions. Regulators and analysts should consider capital trend analysis, dividend policy, interest practices, future growth plans, and their associated risk, earnings potential, and the overall economic environment. Also, they should use ratio analysis to ascertain the institution's capital adequacy. The key ratios to consider are CRAR (Capital to risk-weighted assets ratio, Debt-Equity ratio, and Equity to total assets.

Asset Quality

There is a variable amount of credit risk with any institution’s loans and investments.

High

credit risk will result in a higher rating and vice-versa. However, the credit risk of loans in turn depends upon the creditworthiness of the borrower. The regulators should break up the loans and advances into two parts- the loans made to relatively safe banks and other financial institutions and the advances made to the general public or customers. They should evaluate the investments made by the institution, its trend and quality, and its ability to generate returns. Also, regulators should consider the adequacy of measures in place to withstand any credit loss. Moreover, they also need to see and assess that the institution has a well- documented and proper working system in place to identify potential risks timely in advance. Some key ratios to consider while evaluating the asset quality are Financial assets to Assets, Non-current receivables to total receivables, Interbank loans and investments to assets, etc.

Management Capabilities

The capability of the management to adequately balance the risk and return opportunities is the key to the success of any financial institution. The management must be active, open to new ideas and investment opportunities, and capable of exploiting the new technology and innovations to maximize returns while minimizing risk. Risk can be in the form of operational risk, market risk, credit risk, social risk, or legal risk.

The management must appropriately place internal control measures that will help it identify and control any potential threat to work. After that, the regulators should check for internal audit measures, clarity, transparency of communication from the management, and quality of financial reporting followed by the institution. Also, they should consider the future growth plan of the management, the growth rate, and its ability to achieve those goals while deciding on the ratings. Some key ratios to consider to judge the management capabilities are Total advances to Total Benefits, the business generated per employee, and the return on advances.

Earnings Sufficiency

The Earnings of any financial institution should be sufficient. Moreover, the returns should be sustainable and recurring. Also, the rate of return should be above the cost of the capital to generate adequate profits. The analysts evaluate the earnings potential and plans of the management to sustain and grow the earnings. Also, they assess the core earnings of the institution because they are usually long-term and permanent. While the interest and service income are more desirable because they are relatively long-term in nature, earnings from trading activities are more volatile and non-permanent and can adversely affect the ratings.

The key ratios that affect the ratings of the institutions regarding earnings sufficiency are Net Profit to Total Assets, ROA and ROE, Net interest margin, etc.

Liquidity Position

Liquidity is of paramount importance to any bank or financial institution. It should have sufficient liquidity in hand. The liquidity comes in handy to meet any unusual high withdrawals or cash-flow requirements. Such withdrawals should not significantly impact the institution's day-to-day operations. Analysts rate the institutions based on their liquidity position. It is again a vital rating parameter. A prolonged and severe liquidity crisis can result in the collapse of the entire banking/system and economy.

Analysts take a few key ratios into account while rating the institution on its liquidity position. These ratios include the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Sensitivity to Market Risk

Analysts take into account the market risks that can adversely impact the performance of any financial institution while rating them. The most important market risk that any institution faces is an interest-rate risk. An increase in the interest rates will directly increase its net interest income and vice-versa. Moreover, the analysts should consider whether the institution has heavy exposure to any particular sector such as agriculture, industry, energy, etc., and its future potential. The ratings can be affected if the future of that specific sector is bleak or seems unstable. Also, any institution having high exposure to foreign exchange, commodity, or equity markets can affect its ratings.

Banks and financial institutions can use the Value at Risk (VAR) tool to measure, monitor, and control market risk. Some ratios that can help ascertain the sensitivity to market risk are Total assets to Sector assets or Deposits to Sector deposits.

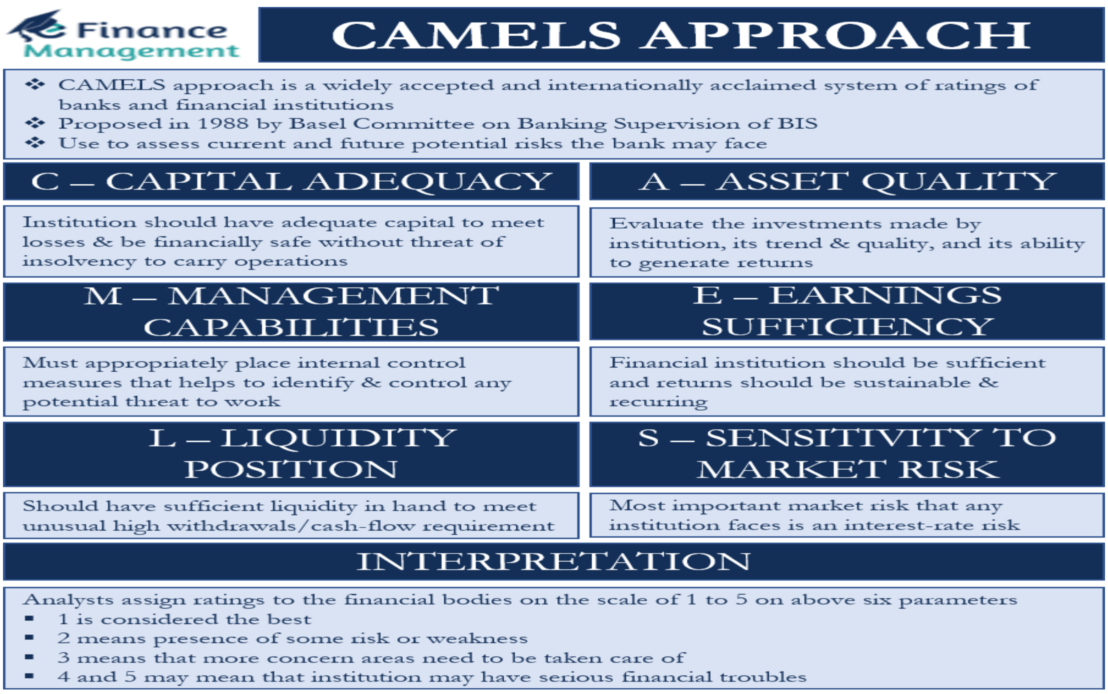
How does the CAMELS Approach Work?

Analysts and regulators rate any bank or financial institution on the above six parameters on a scale of 1 to 5. The usual method they follow is to first jot down a few sub-indicators under each of the six parameters. Adopting a ratio-analysis approach is the safest and most reliable. They then compare the results under each sub-indicator with the industry average. After that, they rate the institution accordingly.

A rating of 1 is the best. It means that the institution is absolutely safe and sound. It promises good future performance and earnings at minimum risk. And it is adequately covered in case of an adverse event. A rating of 2 means that there is a presence of some risk or weakness. However, it is minimal and controllable. A rating of 3 means that more concern areas need to be taken care of. A rating of 4 and 5 may mean that the institution may have serious financial troubles. They are imminent and unavoidable in the current scenario. The risk management practices are inadequate.

IMPORTANCE of CAMELS APPROACH

CAMELS approach is fundamental and useful for the management, analysts, and regulatory bodies to adjudge the performance and risk involved with banks and financial institutions. Banks are the backbones of any economy. Hence their performance evaluation and benchmarking are of paramount importance to ensure that they are financially stable and sound without any unsustainable operational risk in the near future.



HISTORY

The CAMELS Rating System was developed in the United States as a supervisory rating system to assess a bank's overall condition. CAMELS is an acronym that represents the six factors that are considered for the rating. Unlike other regulatory ratios or ratings, the CAMELS rating is not released to the public. It is only used by top management to understand and regulate possible risks.

Supervisory authorities use scores on a scale of 1 to 5 to rate each bank. The strength of the CAMEL lies in its ability to identify financial institutions that will survive and those that will fail. The concept was initially adopted in 1979 by the Federal Financial Institutions Examination Council (FFIEC) under the name Uniform Financial Institutions Rating System (UFIRS). CAMELS was later modified to add a sixth component – sensitivity – to the acronym.

Capital adequacy
Assets
Management capability
Earnings
Liquidity
Sensitivity

PROBLEM STATEMENT

Indian Banking industry is the backbone of the country's economy and it plays a vital role in strengthening the financial system of the country. Indian Banking Sector is divided into four categories i.e. Public Sector Banks, Private Sector Banks, Foreign Banks in India and Co- operative and Regional Rural Banks. There has been a paradigm shift in operations and functioning of financial sector in general and banking sector in particular with the opening up of Indian economy and adoption of liberalisation, privatisation and globalisation in 1991. In the present day context, banks are on a continuous path of growth, expansion and development. This has led to a healthy competition between private sector and public sector banks in India and in this context the present study is an attempt in this direction to analyse the performance of SBI bank through CAMEL model.

PURPOSE OF THE STUDY

Banks are financial institutions that accept savings of the public and grants loans and advances to business, industry and society at large. Banks are considered to be very important financial mediators because they result into well being of saver as well as investors. Banks are central to the functioning of an economy due to their role in credit intermediation process, payment and settlement systems and monetary policy transmission. Financing facilitates the flow of goods and services and the activities of the government. It also provides a great portion of the medium of exchange to the country. A sound and efficient banking system is considered to be of paramount importance for the growth of the economy as a whole. This study is an attempt to evaluate the financial performance of banks, both public and private through CAMEL model which assesses the strength of a bank through CAMELS MODEL which is based on capital adequacy, assets, management capability, earnings, liquidity and sensitivity.

OBJECTIVES OF THE STUDY

In this context, the study dwells upon the following objectives:

1. To highlight the importance of CAMEL approach for performance analysis of banks.
2. To analyse the performance of SBI using the CAMEL approach.

2. LITRATURE REVIEW

Khan, & Faisal. (2023) used the CAMELS approach of analysis to the gathered data to evaluate the performance of the State Bank of India. The Reserve Bank of India was the first institution to suggest the CAMELS Rating System. The authors used data from reliable secondary sources for the SBI from 2012 to 2022 to conduct their study. The years 2012 through 2022 saw the utilization of this data. This research employed an OLS regression model to examine the variables' unit roots and the data's normality. This was done to find out what kind of relationship there is between the dependent variable and the other variables. The financial standing of models representing the performance of the banking sector is examined using the CAMELS analysis technique.

Kaur (2010) has been made to rank the various commercial banks operating in India. The banks in India have been categorized into Public sector, Private sector and Foreign banks. For the purpose of profitability analysis 28 Public Sector, 26 Private Sector and28 Foreign banks have been taken into consideration For the purpose of ranking, CAMEL analysis technique has been used. Each parameter of CAMEL— Capital Adequacy, Asset Quality, Management Quality, Earning Quality and Liquidity has been evaluated taking two ratios, and a final composite index has been developed. Among the public sector banks, the best bank ranking has been shared by Andhra Bank and State Bank of Patiala. Among the private sector banks, Jammu And Kashmir Bank has bagged the first rank followed by HDFC Bank. In the category of foreign sector banks, Antwerp Bank has been ranked the best followed by JP Morgan Chase Bank.

Singh & Milan (2023) analyzed the financial data of all the public sector commercial banks for a period spread across 11 years ; Capital adequacy, Assets quality, Management efficiency, Earning, and Liquidity (CAMEL) has been used as a performance determinant; system generalised method of moments (GMM) analysis has been used to find the effect of determinants on the performance measurement of public sector banks; and CCA (canonical correlation analysis) has been used to find the interrelationship between the bank-specific determinants and the performance of public sector banks. The finding has important implications in terms of performance in the banking sector. Certain limitations of this study are: It is based on secondary data. The study only covers the financial aspects and not the non- financial aspects.

Kaur, Kaur & Singh (2015) compared the financial performance of leading five public sector banks, on the basis of total assets and consolidated basis, in India for 5 years from 2009-2014. The banks include Bank of Baroda, State Bank of India, Punjab National bank, Bank of India, and Canara Bank. The data is collected from annual reports of these banks and various ratios have been calculated measuring the aspects of CAMEL which includes capital adequacy, asset quality, management efficiency, earning quality and liquidity. After calculating these ratios, it is found that Bank of Baroda is leading in all the aspects of CAMEL followed by Punjab National Bank in Capital Adequacy, Management efficiency and Earning capacity and Bank of India in Asset Quality.

Meena (2016) Used CAMEL approach a study with reference to Indian banking industry. International Journal of Research and Scientific Innovation The banking structure has played a crucial role in the mobilization of savings and promotion of economic development. The CAMEL approach mainly considered for the purpose of to know the performance of the different public sector and private sector banks by the different tools like capital adequacy, asset quality, management capability, earnings capacity, liquidity. The analysis of the financial performance of the selected public and private sector banks in India and to determine the factors that predominantly affect the financial performance of the Indian banking sector with efficiently and accurately. The four factors profit per employee, debt-equity ratio, total assets-to-total deposits ratio, Net NPA's-to-total advances ratio are the major dependent factors impacting the financial performance of the banks taking return on assets as an independent variable.

Panboli & Birda (2019) Camel research of selected private and public sector banks in India help for any business growth or any start up business. And to meet all this peoples' requirement and even gain profits, banks sees their financial growth and analyze as what to be done to meet the requirements. Even the people should know, whether the bank in which they have gone on their money is stable and can give back their money back when needed or when the bank fails to shut down due to unavailability of assets or loss which cannot be reclaimed.

Kumar& Malhotra (2017) Analyzed private banks in India attempt has been made to evaluate the performance & financial soundness of selected Private Banks in India for the period 2007- 2017. CAMEL approach has been used to examine the financial strength of the selected banks. Composite Rankings, Average, and Covariance has been applied here to reach conclusion through the comparative and significant analysis of different parameters of CAMEL. Axis bank is ranked first under the CAMEL analysis followed by ICICI bank. Kotak Mahindra occupied the third position. The fourth position is occupied by HDFC bank and the last position is occupied by IndusInd bank amongst all the selected banks

Anand(2013) analyzed banking system in India is significantly different from that of other Asian nations because of the country's unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talent. In this article, an attempt has been made to rank the various commercial banks operating in India. The banks in India have been categorized into Public sector, Private sector, and Foreign banks. For the purpose of proitability analysis, 26 Public Sector, 18 Private Sector, and 15 Foreign banks have been taken into consideration. For the purpose of ranking, CAMEL analysis technique has been used.

Khatik & Nag (2014) analyzed banking sector constitutes a major component of the financial service sector. Soundness of the banking sector is essential for a healthy and vibrant economy. The efficiency, productivity, profitability, stability and a shock free economy is possible only when a country is having a sound and healthy banking sector. The present research work has been undertaken to analyze the soundness of five nationalized banks in India. In order to measure the performances of these banks CAMEL MODEL Approach has been applied, incorporating important parameters like Capital Adequacy, Assets Quality, Management Efficiency, Earnings Quality and Liquidity. The finding of the study shows that Bank of Baroda has been ranked at the top position, the Union Bank of India and Dena Bank secured the 2nd position, the next was the State Bank of India which secured the 4th position and in the last position was the UCO Bank which secured the 5th position.

Bansal & Mohanty (2013) Analyzed there were various models of evaluating the performance of the banks. In this study we had discussed the CAMEL Model to evaluate the performance of the selected banks. This model measures the performance of the banks for the parameters comprising of Capital adequacy, Assets quality, Management, Earnings and Liquidity, We have studied the performance of five banks selected on the basis of market capitalisation (i.e. SBI, HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank.). Period under study is from 2007 to 2011. After calculating ratios weightages have been given to each parameter of the CAMEL Model.

Biswas (2014) focuses on the evaluation of the performance of two public sector banks viz., Andhra Bank and Bank of Maharashtra with CAMEL model. Andhra Pradesh & Maharashtra states are among the top five most populace states of India. Also these are the two states, which have the high incidences of farmer suicides due to the inability to repay the loans. With this background these states with their respective public sector banks are considered to do the comparative study. The study adopts an analytical and descriptive research design. The data of the sample banks for a period of 2011-2013 have been collected from the annual reports of the banks. Twenty variables as supported by the existing literature related to CAMEL model are used in the study.

Kumar & Sharma (2014) analysed the global financial crisis during 2007–2009 has resulted in failures of banking and financial institutions and freezing up of capital markets, with considerable effects on the real economy all over the world. The growth and stability of the financial condition of a country depend on the soundness of its banking sector. This paper analyzes the various aspects of performance and so understanding the country Banking sector, by CAMEL approach. The study of the top 8 market capitalized banks and computes many factors determining these by use of econometric analysis of the Secondary Data collected from various authentic sources for a period of6 years, financial year 2007–08 to 2012–13.

Shetty & Bhat (2023) analyzed that Regional rural banks were created to give banking facilities to the rural and under-banked areas of the country. Unfortunately, despite being in operation for over four decades, these banks have been able to make some significant impact on the rural economy, but there is still scope for improvement in many areas. To identify the areas where RRBs in Karnataka need to improve, a study will be conducted to compare the concert of select RRBs in the state. With the CAMELS model, this exploration compares the achievement and evolution of regional rural banks in Karnataka from literature published over the last two decades. The paper focuses on identifying the most significant gaps in the previous research on regional rural banking in Karnataka and correcting them by posing targeted questions for more study.

Anitha (2024) analysed that Small Finance Banks (SFBs) were newly introduced in order to uplift the rural and under-served sections. The small finance banks are facing more challenges such as high cost of transformation, controlling non-performing assets, prudential norms, technology changes, increase pressure on profitability, competition with other banks in the economy. Hence, the present study examines the overall profitability and performance of selected Small Finance Banks in India. This study is undertaken to examine the financial performance of small finance bank in the Indian economy and to forecast the financial trend for future period.

Sayed & Sayed (2013) analysed that there were various factors which need to be taken care. Various models have been discussed for evaluating the performance and quality of banks. One such model is CAMELS. It is an acronym, where C - Capital Adequacy,A - Assets Quality, M
- Management Efficiency, E - Earning Quality, L - Liquidity and S - Sensitivity to Market Risk, which rates the performance of banks on five point scale. We have chosen this model to evaluate the performance of banks. After deciding the model we have chosen top four private sector banks as per the ET Intelligence Group (ETIG) database. A thorough analysis is done and the result shows that on an average Kotak Mahindra Bank stands at the top position.

3. RESEARCH METHODOLOGY

TYPE OF RESEARCH –

Descriptive.

PERIOD OF STUDY-

The study covers a period of five years from 2020 to 2024 .

SAMPLING-

Top 4 leading Public Sector Banks in India with Market Cap (Rs Crore)

Top 4 Banks	Market Cap (Rs Crore)
State Bank of India	5,00,179.88
Bank of Baroda	1,00,272.71
Punjab National Bank	83,518.55
Union Bank of India	79,239.07

One of the leading banks in public sector with highest market cap i.e. State Bank of India had been taken as a sample.

DATA COLLECTION METHOD

Source of Data – Secondary Data

The secondary data was collected from the different sources -

- Published Annual Reports of SBI from its website.
- Moneycontrol.com
- Internet
- Magazines
- Journals

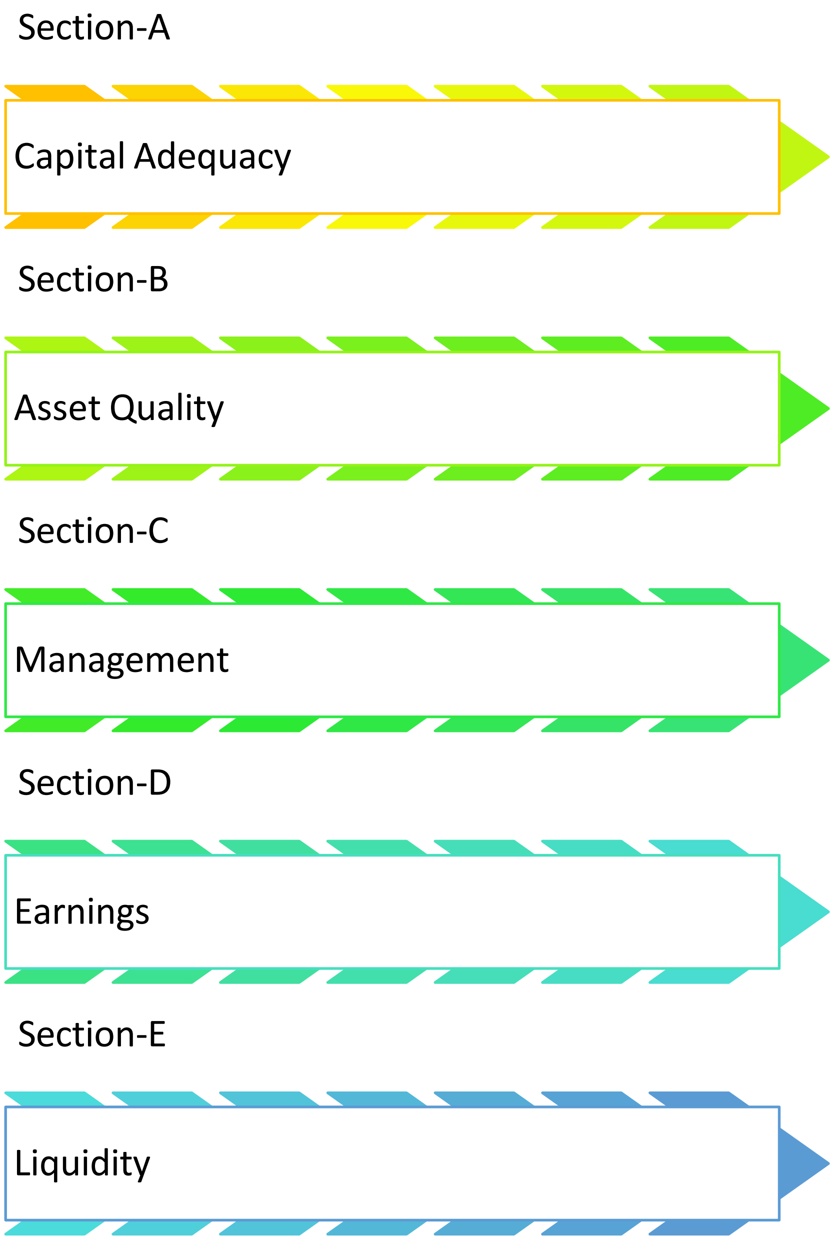
TOOLS AND TECHNIQUES

CAMEL Analysis


C
CAPITAL ADEQUACY RATIO
DEBT EQUITY RATIO
A
NET NPA TO NET ADVANCES RATIO
NET NPA TO TOTAL ASSET RATIO
M
BUSINESS PER EMPLOYEE RATIO
PROFIT PER EMPLOYEE
E
NET INTEREST MARGIN RATIO
NET PORIT MARGIN RATIO
L
LIQUID RATIO
CURRENT RATIOo

4. DATA ANALYSIS AND INTERPRETATION

This chapter includes CAMEL Analysis of SBI bank which help to measure bank financial stability in the market. CAMEL Analysis is divided into five sections that are :



Section-A

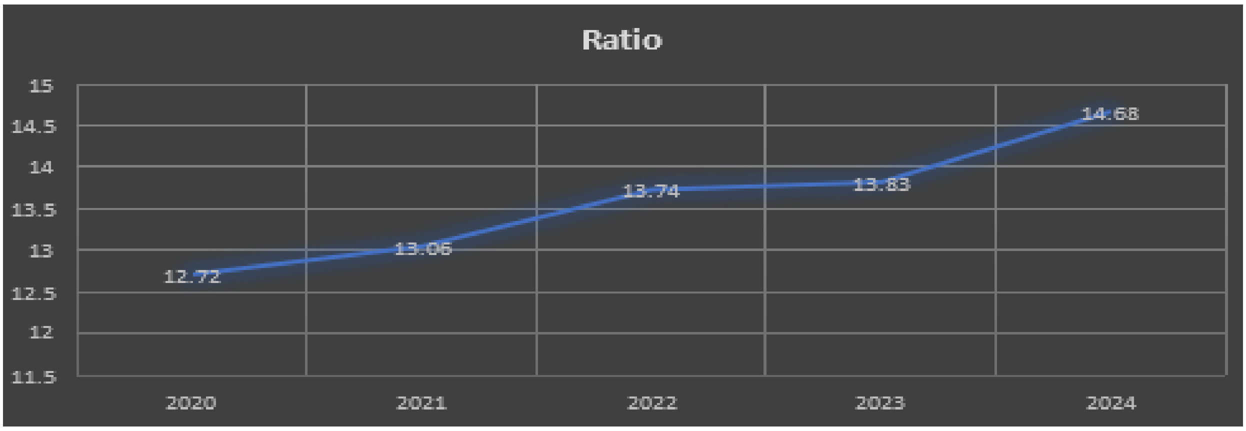
CAPITAL

I) Capital Adequacy Ratio

Capital to Risk-weighted Assets Ratio (CRAR) = (Tier-I + Tier-II) Risk Weighted Assets

- Tier 1 capital includes shareholders‟ equity; perpetual noncumulative preference shares, disclosed reserves and innovative capital instruments.
- Tier 2 capitals include undisclosed reserves, revaluation reserves of fixed assets and long-term holdings of equity securities, general provisions/general loan-loss reserves; hybrid debt capital instruments and subordinated debt.

Year	**2020**	**2021**	**2021**	**2023**	**2024**	**Average**
Ratio	**12.72**	**13.06**	**13.74**	**13.83**	**14.68**	**13.606**



Interpretation

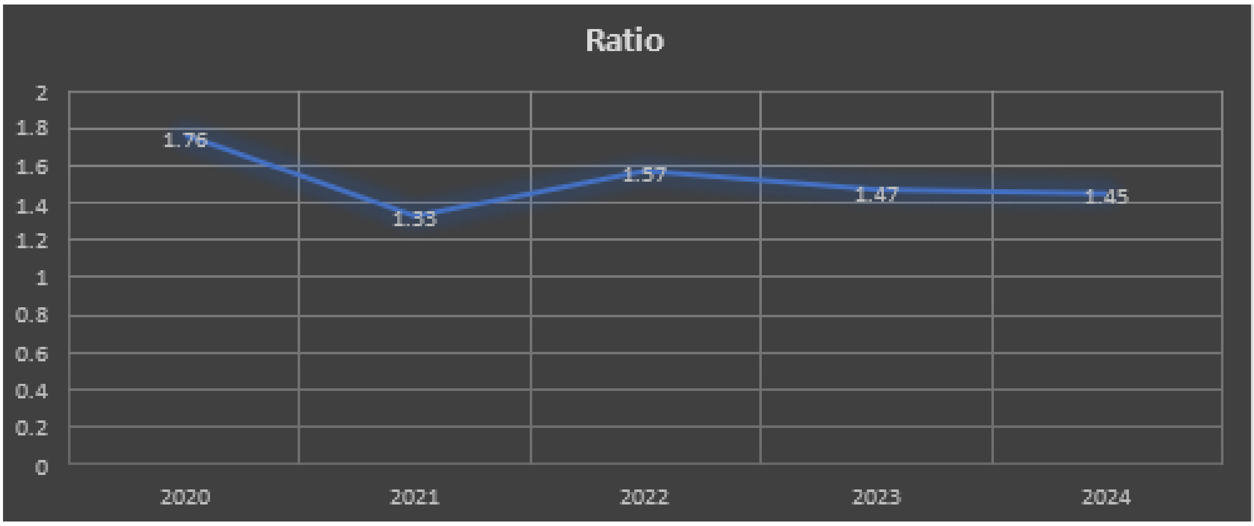
CRAR is the ratio of capital funds to risk weighted assets. Reserve Bank of India prescribes bank to maintain a CRAR of 9% about credit risk, market risk and operational risk on an ongoing basis as against 8% prescribed in BASEL. From the above table it is clear that SBI have favourable Capital Adequacy Ratios from the year 2020 to the year 2024. Higher the ratio, higher is the risk taking capacity of bank due to unexpected loss in banking portfolio. With respect to RBI norms of 9%, SBI have favourable ratios. In the year 2023 SBI had 14.68% CRAR ratio which was highest in the period from 2020-2024.

II) Debt To Equity Ratio

Debt Equity Ratio = Total liabilities/Total shareholders' equity

- Total liabilities are the combined debts that an individual or company owes. They are generally broken down into three categories: short-term, long-term, and other liabilities. On the balance sheet, total liabilities plus equity must equal total assets.
- Total shareholders equity includes four components that are outstanding shares, additional paid-in capital, retained earnings, and treasury stock

Year	2020	2021	2022	2023	2024	Average
Ratio	**1.76**	**1.33**	**1.57**	**1.47**	**1.45**	**1.516**



Interpretation:

Debt Equity Ratio is the ratio of total liabilities to total shareholders equity. It is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. Debt equity ratio is an important metric in corporate finance. It is a measure of the degree to which a company is financing its operations with debt rather than its resources. This is because a higher ratio, the more the company is funded by debt than equity, which means a higher liability to repay the debt and a greater risk of forfeiture on the loan if the debt cannot be paid timely. The table indicates that the lowest debt to equity ratio was in 2021.

Section-B

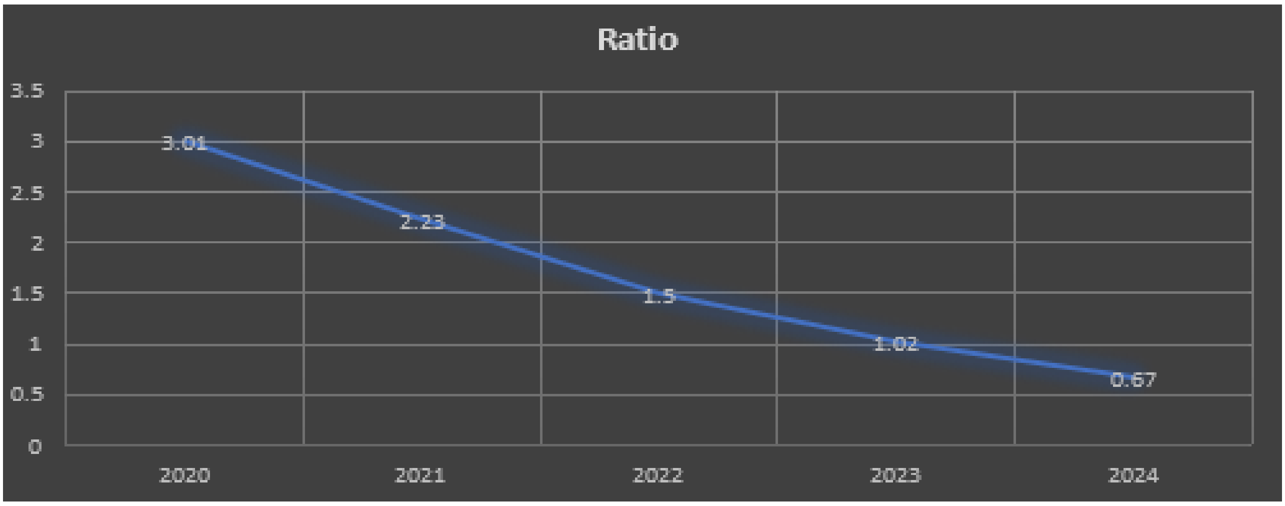
ASSET QUALITY

I) Net NPA to Net Advances Ratio

Ratio= Net NPA/ Net Advances

- A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
- Net Advances means the principal amount of the outstanding Advances (inclusive of Advances that have been requested for any outstanding Purchase Commitments which have traded but not settled) minus the amounts then on deposit in the Accounts (including, for the avoidance of doubt, cash and Cash Equivalents and amounts

Year	2020	2021	2022	2023	2024	Average
Ratio	3.01	2.23	1.50	1.02	0.67	1.686



Interpretation:

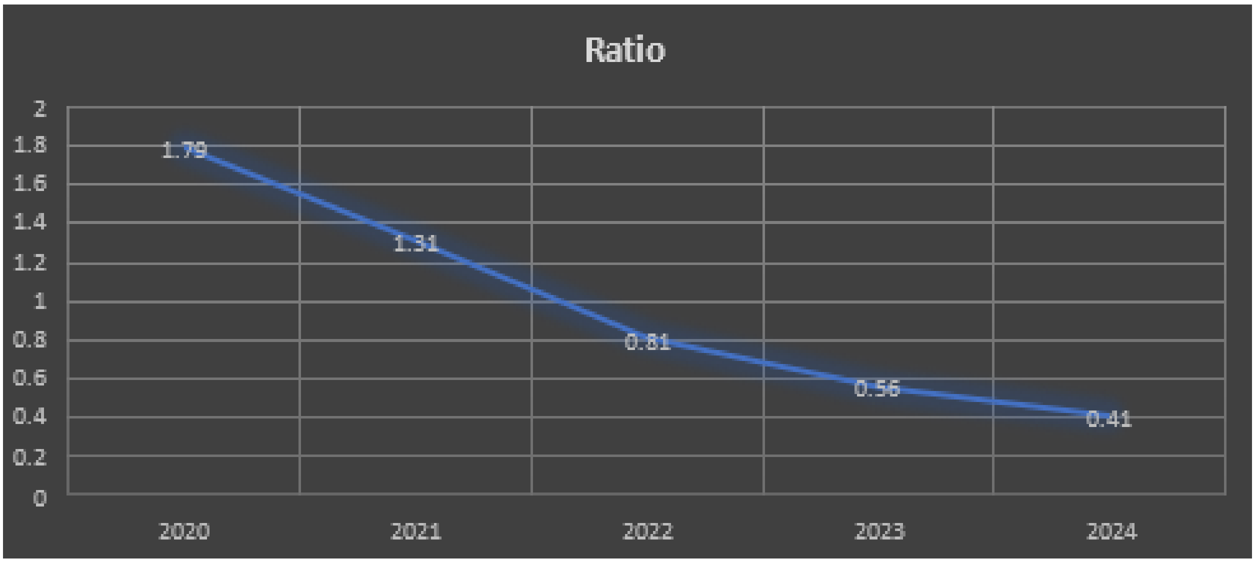
Net NPAs reflect the performance of banks. A high level of NPAs suggests a high probability of a large number of credit defaults that affect the profitability and net worth of banks and wear down the value of the asset. Loans and advances usually represent the largest assets of most of the banks. It monitors the quality of the bank's loan portfolio. The higher the ratio, the higher the credit risk. In 2024 SBI has 0.67% which is the lowest from 2020-2024.

II) Net NPA to Total Assets Ratio

Ratio = Net NPA/Total Assets Ratio

- A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
- Total assets include all kinds of assets, such as cash and short term investments, total accounts receivable, inventories, net property, plant and equipment (PP&E), investments and advances, intangible assets like goodwill, and tangible assets.

Year	2020	2021	2022	2023	2024	Average
Ratio	1.79	1.31	0.81	0.56	0.41	0.976



Interpretation:

It reflects the performance of the banks. A high level of NPA suggests a high probability of a large number of credit defaults that affect the profitability and net worth of banks and also wear down the value of the asset. The net NPA to Total Assets ratio of SBI bank ranged from 0.4 to 1.8 from 2020-2024. 0.41% is the lowest in 2024 in 5 years.

Section-C

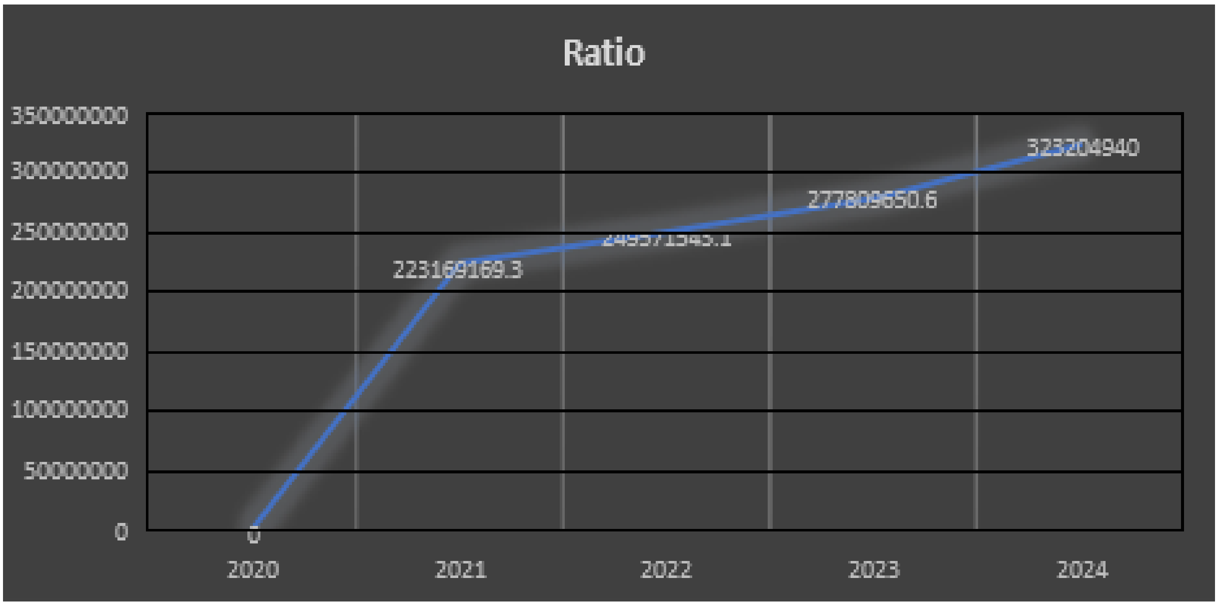
Management Efficiency:

I) Business Per Employee Ratio

Ratio= Business/ Number of Employees

- Business= Advances+ deposits

Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Average**
Ratio	**0.00**	**223169169.33**	**249571543.11**	**277809650.59**	**323204940**	**214751060.6**



Interpretation:

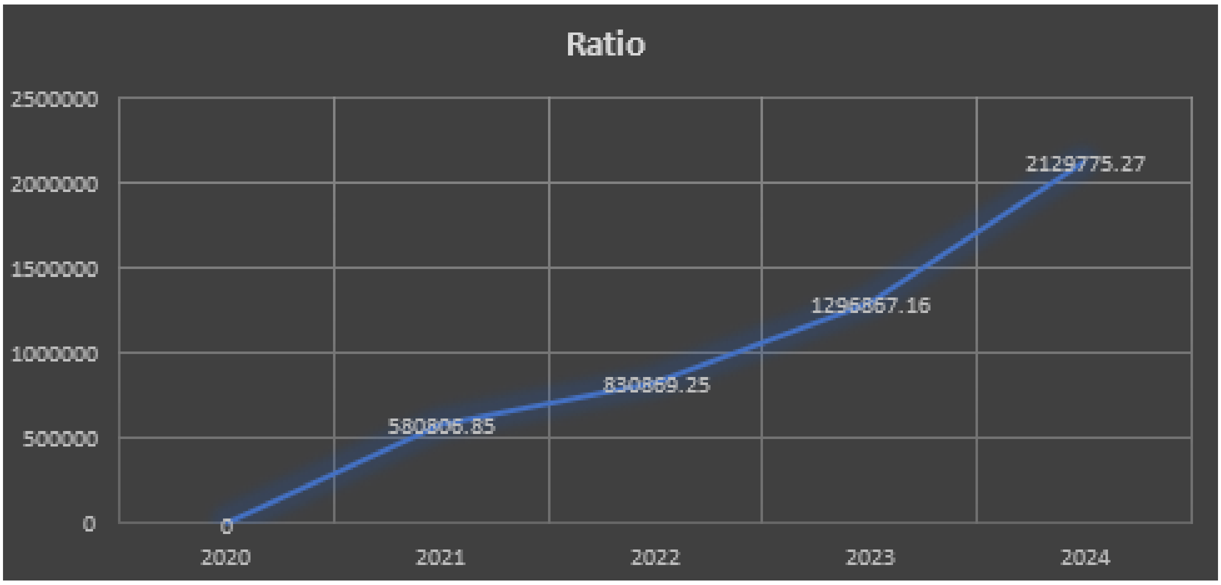
Revenue per employee is a measure of how efficiently a particular bank is utilizing its employees. Ideally, a bank wants the highest business per employee possible, as it denotes higher productivity. In general, rising revenue per employee is a positive sign that suggests the bank is finding ways to squeeze more sales/revenues out of each of its employees. The maximum revenue per employee is for SBI. This shows the quality of the workforce has increased the profit year-on-year for SBI. The highest revenue per employee is 323204940 in the year 2024.

II) <u>Profit Per Employee:</u>

Ratio = Net Profit/No. of employees

➢ Net profit is the amount of money your business earns after deducting all operating, interest, and tax expenses over a given period of time.

Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Average**
Ratio	**0.00**	**580806.85**	**830869.25**	**1296867.16**	**2129775.27**	**967663.706**



Interpretation:

Profit per employee is a measure of how efficiently a particular bank is utilizing its employees. Ideally, a bank wants the highest profit per employee. SBI Bank employees had highest profit per employee in the year 2024 which was 2129775.27

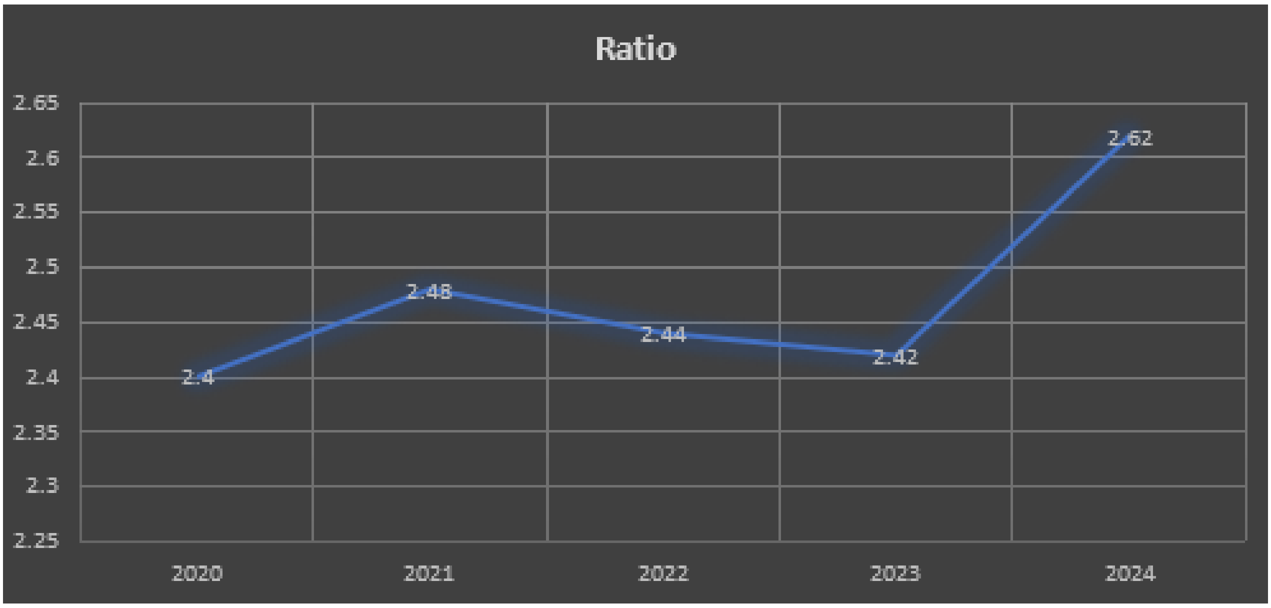
Section-D

Earning Capacity

I) Net Interest Margin Ratio

Net Interest Margin (NIM) is defined as the difference between interest earned and interest expended as a proportion of average total assets. Interest income includes dividend income. Interest expended includes interest paid on deposits, loans from RBI, and other short-term and long-term loans.

Year	2020	2021	2022	2023	2024	Average
Ratio	2.40	2.48	2.44	2.42	2.62	2.472



Interpretation:

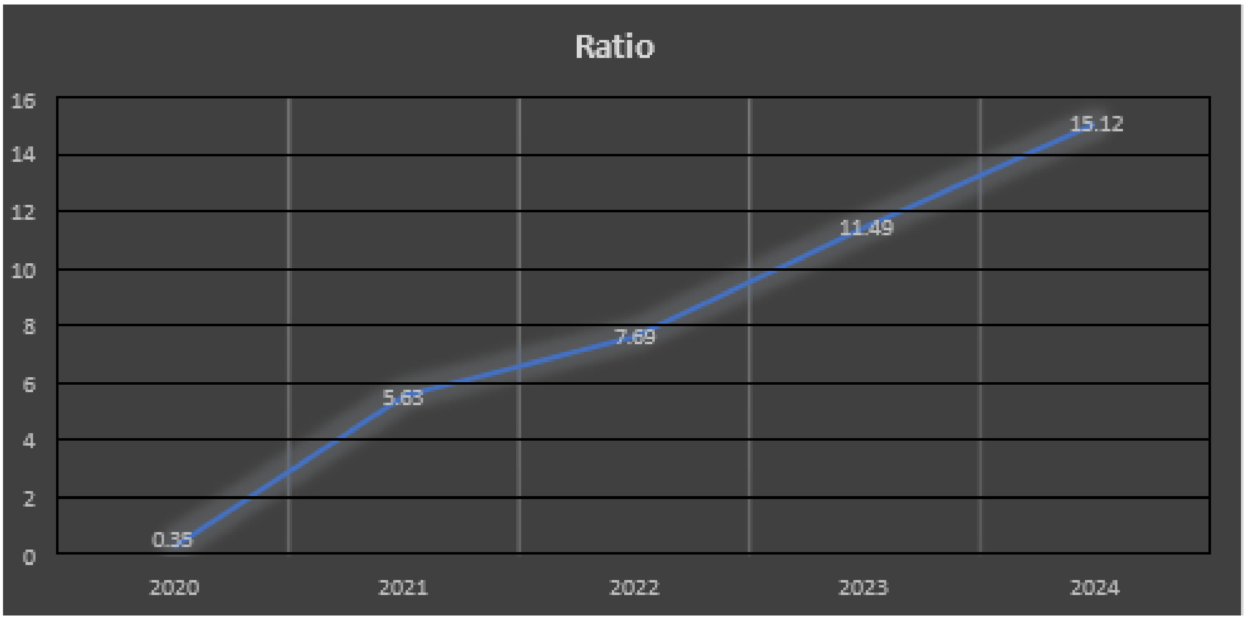
Net Interest Margin depends on how the assets are utilized and how the bank can cope up with the changes in the economic conditions. Net Interest Margin of SBI Bank is the highest in the year 2024 which was 2.62% and the quality of assets is also good in comparison from 2020- 2024.

II) Net Profit Margin Ratio

Net Profit Margin = Net Profit ⁄ Total Revenue x 100

- Net profit is the amount of money your business earns after deducting all operating, interest, and tax expenses over a given period of time.
- Total revenue, also called total sales or gross revenue, is the amount of income that your business made from all sales before subtracting expenses. Depending on your business, total revenue may also include interest and dividends from investments

Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Average**
Ratio	**0.35**	**5.63**	**7.69**	**11.49**	**15.12**	**8.056**



Interpretation:

A high net profit margin means that a company can effectively control its costs and/or provide goods or services at a price significantly higher than its costs. Therefore, a high ratio can result from Efficient management. In the year 2024, the net profit margin which was 15.12% means SBI had better efficient management in the period from 2020-2024.

Section-E

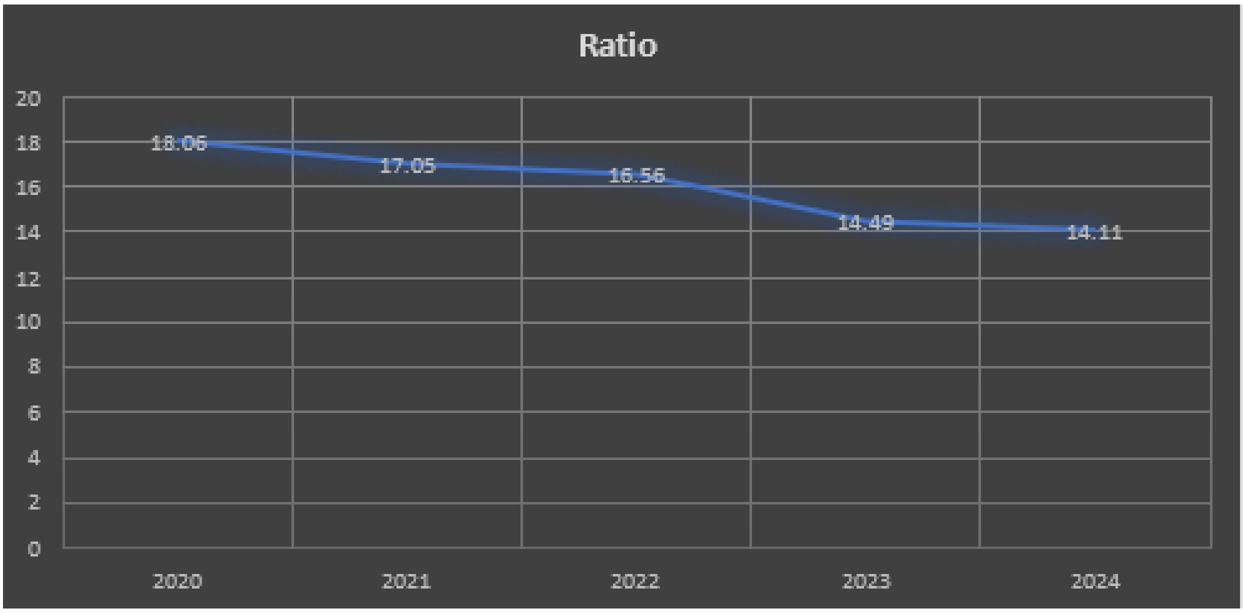
Liquidity

I) Liquid Ratio

Ratio = Current assets + Inventory/ Current liabilities

- Current assets include cash, cash equivalents, accounts receivable, stock inventory, marketable securities, pre-paid liabilities, and other liquid assets.
- The term inventory financing refers to a short-term loan or a revolving line of credit acquired by a company so it can purchase products to sell at a later date
- current liabilities include accounts payable, short-term debt, dividends, and notes payable as well as income taxes owed.

Year	2020	2021	2022	2023	2024	Average
Ratio	18.06	17.05	16.56	14.49	14.11	16.054



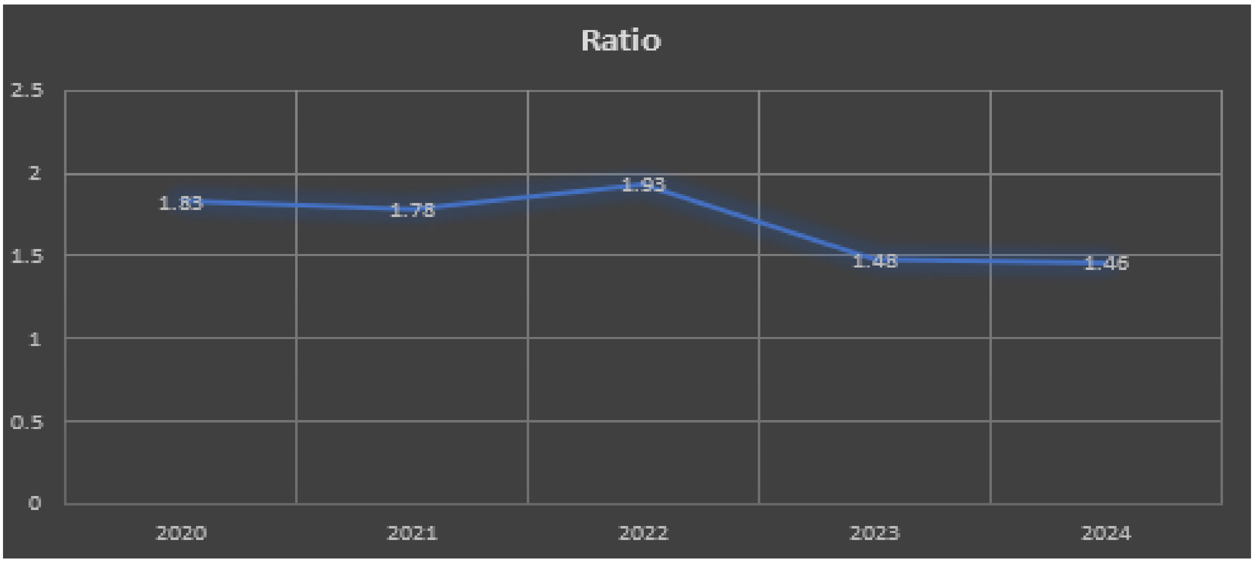
Interpretation:

The quick ratio measures a company's ability to quickly convert liquid assets into cash to pay for its short-term financial obligations. A positive quick ratio can indicate the company's ability to survive emergencies or other events that create temporary cash flow problems. The highest quick ratio was in the year 18.06% in the year 2020 as compared to the period from 2020-2024. A higher quick ratio signals that a company can be more liquid and generate cash quickly in case of emergency.

Current Ratio = Current Assets/Current Liabilities

- Current assets include cash, cash equivalents, accounts receivable, stock inventory, marketable securities, pre-paid liabilities, and other liquid assets.
- current liabilities include accounts payable, short-term debt, dividends, and notes payable as well as income taxes owed.

Year	2020	2021	2022	2023	2024	Average
Ratio	1.83	1.78	1.93	1.48	1.46	1.696



Interpretation:

The current ratio describes the relationship between a company's assets and liabilities. So, a higher ratio means the company has more assets than liabilities. For example, a current ratio of 4 means the company could technically pay off its current liabilities four times over. The current Ratio in the year 2024 was 1.46 but not the highest which was 1.93 in the year 2022.

S.No	Ratio	Average of 5 years

1)	**Capital**	
I.	Capital Adequacy Ratio	13.606
II.	Debt Equity ratio	1.516
2)	**Asset Quality**	
I.	Net NPA to Net advances	1.686
II.	Net NPA to Total Assets ratio	0.976
3)	**Management Efficiency**	
I.	Profit per employee	214751060.6
II.	Profit per employee	967663.706
4)	**Earnings capacity**	
I.	Net Interest Margin	2.472
II.	Net Profit Margin	8.056
5)	**Liquidity**	
I.	Liquid Ratio	16.054
II.	Current Ratio	1.696

5. FINDINGS, CONCLUSION & RECOMMENDATIONS

5.1 FINDINGS & LIMITATIONS

5.1.1 FINDINGS

1)Capital:

- The study found that the State Bank of India (SBI) maintains the Capital adequacy ratio it keeps on increasing year to year from 12.72% in the year 2020 to 14.68% in the year 2024.

- Debt Equity Ratio in the year 2021 which was 1.33 was the lowest as compared to the period of 2020-2024 but in 2024 it was lower as compared in 2020. SBI must have to work on this.

2) Asset Quality:

- SBI had low credit risk in the year 2024 as compared to the year 2020 which was 0.67%
- SBI had the lowest net NPA to total assets ratio in the year 2024 which was 0.41%.

3) Management Efficiency:

- Business per employee ratio keeps on increasing year to year and in 2024 it was 323204940.
- Profit per employee ration keeps on increasing year to year and in 2024 it was 2019775.27.

4) Earning Capacity:

- Net Interest Margin of SBI Bank is the highest in the year 2024 which was 2.62% and the quality of assets is also good in comparison from 2020-2024.
- In the year 2024, the net profit margin which was 15.12% means SBI had better efficient management in the period from 2020-2024.

5) Liquidity:

- The highest quick ratio was in the year 18.06% in the year 2020 as compared to the period from 2020-2024 and in 2024 it was the lowest i.e 14.11%.
- The current Ratio in the year 2024 was 1.46 but not the highest which was 1.93 in the year 2022

5.1.2 LIMITATIONS

- It should be one of the tools to judge the performance of any particular bank or financial institution and not the only one.
- It is subject to the respective evaluator's judgment, subjectivity, and bias.
- The CAMELS approach is prone to indeterminacy, subjectivity, and inconsistency.
- It shows the weakest performance and risk management practices and generating the

highest degree of regulatory concern.

- The analysis is restricted to only one major bank.
- The inherent limitation is secondary data.
- The published data is not uniform and not properly disclosed by the banks.

5.2 CONCLUSION

State Bank of India (SBI) emerges as a stalwart in the Indian banking sector, exhibiting commendable performance across all aspects of the CAMEL framework: Capital adequacy, Asset quality, Management quality, Earnings capability, and Liquidity position.

The report makes an effort to inspect the performance of a public sector bank SBI. The analysis is based on the CAMEL Model. The study has brought many interesting results, some of which are mentioned as below:

- **Capital Adequacy**: SBI boasts a robust capital adequacy ratio (CAR) that surpasses regulatory requirements, underscoring its strong financial foundation and capacity to absorb unexpected losses. This ample capital cushion positions SBI favourably to support lending activities and foster sustainable growth.
- **Asset Quality**: SBI demonstrates prudent risk management practices, as evidenced by its consistently low levels of non-performing assets (NPAs). By adhering to rigorous credit assessment standards and implementing proactive measures to mitigate credit risks, SBI upholds a sound asset quality profile, instilling confidence among stakeholders.
- **Management Quality**: The leadership at SBI exhibits exceptional acumen in steering the bank through dynamic market conditions. With a focus on strategic foresight, effective governance, and innovation, SBI's management fosters a culture of excellence that drives operational efficiency, fosters innovation, and enhances shareholder value.
- **Earnings Capability**: SBI sustains robust earnings performance, underpinned by diversified revenue streams and prudent cost management practices. The bank's ability to generate consistent and sustainable earnings underscores its resilience and adaptability in navigating the evolving financial landscape, thereby reinforcing its position as a market leader.
- **Liquidity Position**: SBI maintains a prudent liquidity position, equipped with ample liquid assets to meet short-term obligations and withstand unforeseen liquidity shocks. With sound liquidity management practices in place, SBI ensures operational stability, facilitates lending activities, and instils depositor confidence.

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