Financial Performance Evaluation Models Of Selected Nationalised Banks In India

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ABSTRACT

Banking sector is one of the fastest growing sectors in India. Today's banking sector is becoming more complex. Performance Evaluation of the banking sector is an effective measure and indicator to check the soundness of economic activities of an economy. To evaluate the performance of banking sector we have chosen the CAMEL model analysis which measures the performances of banks from each of the important parameters. After deciding the model we have chosen Three Nationalised Banks. According to the Importance of the study each parameter is given equal weights.

KEY WORDS: Nationalised Banks, Performance Evaluation, CAMEL Model Analysis. Bank of India(BOI), Punjab National Bank(PNB) and Canara Bank(CB).

INTRODUCTION

Money is lifeblood of every business, bank plays an important role in the economic development of the country. The entire commercial and industrial activities are well knitted with the bank. Money is collected by banks by the way of deposit and from this fund money is distributed back to the community the form of loan. Thus the bank act as a vital role between the saver and the needy. Bank provides sufficient money to the various business industries. Bank offer loan to small scale industries, agriculture, textiles, companies and which make many entrepreneurs.

OBJECTIVES OF THIS STUDY

- To analyse the financial performance of the selected nationalised banks.

- To ascertain the operational performance of the selected nationalised banks.

LIMITATION OF THE STUDY

- Only five year's Balance sheet of three banks have been taken up for the study.

- The values taken for the analysis purpose are not appropriate and may subject to unidentical minor errors

REVIEW OF LITERTURE

To study and compare the growth rate of private and public sector bank, ***Gupta and Sikarwar (2013)[1]*** have done a comparative study on **"Growth analysis of Punjab National Bank of India and HDFC Bank Ltd"**. The study is based on secondary data, Growth index ratio has been used in this study. The study highlighted that the Capital Adequacy, it is found that both thebanks achieved capital adequacy higher. But in case of HDFC Bank the CAR shows that the bank has made more than requirement, resulting the insufficient utilization of resources.

To identify the growth and important financial variables of Canara bank, ***Srikant, Ravish, Somya Agarwal (2017)[1]*** have made an analytical study on **"The financial performance of Canara Bank 2017"**. The primary and secondary data were used in this study, financial variables selected for the study were Advances, Deposits, Total priority sector advances and NPA. The study highlighted that the bank shows a satisfactory performance for Priority sector and Agricultural advances almost every year.

RESEARCH METHODOLOGY

CAMEL model is used for this study. Three Nationalised Banks have taken for this study namely, **Bank of India, Punjab National Bank and Canara Bank**. Secondary data have taken from different websites, journals, books and publications.

DATA ANALYSIS AND INTERPRETATION

CAMEL FRAME WORK

The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings and **L**iquidity. This framework is basically a ratio-based model for evaluating the performance of banks. Various ratios forming this model are explained below:

CAPITAL ADEQUACY RATIO

Capital base of financial institutions facilitates depositors in forming their risk perception about the institutions. This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. The following ratios measure capital adequacy.

- Capital Risk Adequacy Ratio

Capital Risk Adequacy Ratio = Capital / Total Risk Weighted Assets

Table no.1

Capital Adequacy Ratio

YEAR	BANK OF INDIA			PUNJAB NATIONAL BANK			CANARA BANK		
	Capital (Rs. in cr.)	Total risk weighted asset (Rs. in cr.)	Ratio (%)	Capital (Rs. in cr.)	Total risk weighted asset (Rs. in cr.)	Ratio (%)	Capital (Rs. in cr.)	Total risk weighted asset (Rs. in cr.)	Ratio (%)
2013-14	6430021	211358743	0.030	3620699	87271010	**0.041**	4612588	125558475	**0.037**
2014-15	6656476	145909319	0.045	370.91	12720.46	0.029	4751970	170283248	0.028
2015-16	8172916	242544448	0.034	392.72	19225.95	0.020	5429910	220048930	0.025
2016-17	10554342	276509251	0.038	4255937	195070639	0.022	5992902	252510198	0.024
2017-18	17437175	269357306	**0.065**	5521146	299780709	0.018	7332448	328984727	0.022

Sources: secondary data.

From the above table it is noted that Capital Adequacy Ratio of Bank of India increase in the year 2017-18(0.065%), decrease in the year 2013-14(0.030). Punjab National Bank increases in the year 2013-14(0.041) and decline in the year2017-18(0.018). Canara Bank increase in the year 2013-14(0.037) and declines in the year 2017-18(0.022). When compare to Punjab National Bank and Canara Bank, Bank of India increases by 0.065%.

ASSET QUALITY RATIO

Asset quality determines the healthiness of financial institutions against loss of value in the assets.With this backdrop, the asset quality is gauged in relation to the level and

severity of non-performing assets, adequacy of provisions, recoveries, distribution of assets etc.

- Net NPA to Total Asset Ratio

Net NPA to total asset = Net NPA / Total Asset

Table no.2

YEAR	BANK OF INDIA			PUNJAB NATIONAL BANK			CANARA BANK		
	NET NPA	TOTAL ASETS	RATIO	NET NPA	TOTAL ASETS	RATIO	NET NPA	TOTAL ASETS	RATIO
2013-14	3707335364	5731901989	0.647	1437855016	5504199153	0.261	6040830	4919218543	0.001
2014-15	4020255465	618697757	0.649	404614.06	636011.17	0.636	88265170	5480005648	**0.016**
2015-16	3591889592	6099139267	0.589	446383.03	712792.96	0.626	20967210	5529607783	0.003
2016-17	3664816671	6263092666	0.585	4194931496	7203305484	0.582	21738610	5835194435	0.004
2017-18	3413801866	6095748260	**5.600**	4337347213	5504199153	**0.788**	2854240	6168861048	0.004

Sources: secondary data.

From the above table it is noted that asset quality ratio of Bank of India increase in the year 2017-18(5.600%) and decrease in the year 2016-17(0.585%). Punjab National Bank increase in the year 2017-18(0.788%) and decrease in the year2013-14(0.261%). Canara Bank remains fluctuating. When compare to Punjab National Bank and Canara Bank, Bank of India increases in the future period.

MANAGEMENT RATIO

Management of financial institution is generally evaluated in terms of capital adequacy, asset quality, earnings and profitability, liquidity and risk sensitivity ratings. The ratios used to evaluate management efficiency are described as under

Total Advance to Total Deposit = Total Advance / Total Deposits

Table No. 3

Management Ratio

YEAR	BANK OF INDIA	PUNJAB NATIONAL BANK	CANARA BANK

	TOTAL ADVANCE (Rs. in cr.)	TOTAL DEPOSIT (Rs. in cr.)	RATIO (%)	TOTAL ADVANCE (Rs. in cr.)	TOTAL DEPOSIT (Rs. in cr.)	RATIO (%)	TOTAL ADVANCE (Rs. in cr.)	TOTAL DEPOSIT (Rs. in cr.)	RATIO (%)
2013-14	3707335364	4769740518	**0.777**	3492691232	4513967466	0.773	3010674788	407228182	0.716
2014-15	4020255485	5319066348	0.755	404614.06	515245.43	**0.785**	3300355145	4738401031	0.697
2015-16	3613018908	5157224800	0.700	446083.03	570382.64	0.783	3247148240	479793646	0.677
2016-17	3664816671	5400320078	0.678	4194931496	6217040164	0.675	3420087608	4952752422	0.691
2017-18	3413801866	5208543783	0.655	4337347213	6422261919	0.675	3817029864	5247718603	**0.727**

Sources: Secondary data.

From the above table it is noted that management ratio of Bank of India in the year 2013-14(0.777%) decreases in the year (0.655%). Punjab National Bank increase in the year 2014-15(0.785%) and declines in the year 2017-18(0.675%). Canara Bank increases in the year 2017-18(0.727) and it decrease in the year 2015-16(0.677). Canara Bank shows the highest ratio when compare to Bank of India and Punjab National Bank.

EARNINGS RATIO

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

- Returns on asset ratio

Returns to asset = Net Profit / Total Asset

Table no. 4

Earnings Ratio

YEAR	BANK OF INDIA			PUNJAB NATIONAL BANK			CANARA BANK		
	NET PROFIT (Rs. in cr.)	TOTAL ASSET (Rs. in cr.)	RATIO (%)	NET PROFIT (Rs. in cr.)	TOTAL ASSET (Rs. in cr.)	RATIO (%)	NET PROFIT (Rs. in cr.)	TOTAL ASSET (Rs. in cr.)	RATIO (%)
2013-14	27292711	5731901989	0.005	33425702	5504199153	0.006	26301691	5010895893	0.005
2014-15	17089224	61689224	0.003	3399.59	51543.00	**0.065**	27026242	5480005648	0.004
2015-16	60892133	6099139267	0.009	3689.77	712792.96	0.005	28128229	5529607783	0.005
2016-17	78069961	6263092666	0.012	13248018	7203305484	0.001	11219222	5835194435	0.001
2017-18	146005485	6095748260	**0.023**	12130.06	778994.91	0.015	42222372	6168861048	**0.006**

Sources: Secondary data.

From the above table it is noted that earnings ratio of Bank of India increased in the year 2017-18(0.023%) and declines in the year 2014-15(0.003).Punjab National Bank increased in the year 2014-15(0.065%) and declines in the year 2016-17(0.001).Canara Bank gets fluctuates during the study period. When compare to Bank of India and Punjab National Bank, Canara Bank remains stable during the year.

Liquidity Ratio

An adequate liquidity position refers to a situation, where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. An asset is liquid if it can easily be converted into cash.

- Liquidity Asset to Total Assets Ratio
- Liquidity Asset to Total Deposit Ratio
- Investment to total Assets Ratio.

Liquidity asset to total assets = Liquid asset / Total asset

Table No.5

Liquidity Ratio

YEAR	BANK OF INDIA			PUNJAB NATIONAL BANK			CANARA BANK		
	LIQUID ASSET (RS. in cr).	TOTAL ASSET (RS. in cr).	RATIO (%)	LIQUID ASSET (RS. in cr)	TOTAL ASSET (RS. in cr)	RATIO (%)	LIQUID ASSET (RS. in cr)	TOTAL ASSET (RS. in cr)	RATIO (%)
2013-14	190734434	5731901989	0.033	222455799	5504199153	**0.040**	4852802920	4919218543	0.986
2014-15	271700328	6186977572	0.044	24435.78	636011.17	0.038	5410511175	5480005648	**0.987**
2015-16	339616148	6099139267	**0.056**	26492.19	712792.96	0.037	5457626766	5529607783	0.986
2016-17	273476621	6263092666	0.043	252099957	7203305484	0.034	576351276	5835194435	**0.987**
2017-18	313478449	6095748260	0.051	29028.91	778994.91	0.037	6085674616	6168861048	0.986

Sources: secondary data.

From the above table it is noted that Bank of India increase in the year 2017-18(0.056) and it is decreased in 2013-14 (0.033), it gets fluctuated in 2014-17. Punjab National Bank increases in the year 2013-14 (0.040) and decreases in the year 2016-

17(0.034). Canara Bank remains stable during the study period. Punjab National Bank and Canara Bank remains constant when compare to Bank of India.

CONCLUSION

The study was concluded to evaluate the financial performance evaluation models of Bank of India, Punjab National Bank and Canara Bank for the period of five years ranging from 2013-2018. Canara Bank shows consistent performance in maintaining Liquidity, Earnings and Management Ratios. Bank of India shows increased performance in maintaining Capital Adequacy and Asset Quality Ratios. Punjab National Bank remains stable during the study period.

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