

## AN APPLICATION OF CAMEL MODEL IN SELECTED COMMERCIAL BANKS IN INDIA

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### Abstract

As a country's financial system depends upon the financial soundness of banking industry, it is very much essential to measure it. The study was conducted on five private commercial banks between the years of 2018 and 2022 by gathering information from their annual reports. There are three approaches to doing business and social research were for CAMEL Model and compare the financial performance of a few private sector banks. To determine the how well performed by the bank used by CAMEL model assisted in measuring each significant characteristics including the capital adequacy, asset quality, management effectiveness, earning quality, and liquidity. The paper analysis the financial positions of the selected private banks including ICICI, HDFC, AXIS, CANARA and BARODA Banks.

**Index Terms:** Financial Soundness, performance, CAMEL Model

### Introduction

The Indian banking sector is the support of the Indian economy. The nationalisation of banks in 1969 and the start of economic reforms in 1991 were two turning points in the history of Indian banking. In terms of GDP at market prices, the size of the Indian economy has grown by 15 times since 1991, although the gross domestic savings and household financial savings have both increased by 16 and nearly 17 times, respectively. The banking system is instrumental in encouraging economic growth and mobilising savings. It is the must be flexible and competitive enough to handle the many demands and aims placed on it by different elements of the economy since the real economy is dynamic. Making financial services available to the society's excluded groups is necessary from the perspective of financial inclusion as well. The importance of performance evaluation in the banking industry for long-term growth and development has been acknowledged, a system is still needed that first assesses all areas of banks before highlighting their strengths and deficiencies to ensure ongoing development.

This model is employed to assess the performance of the Indian banking sector and has shown to be better for performance measurement, evaluation, and strategic planning for future growth and development of the Indian banks. The major goal of the CAMEL approach is to analyse the financial health of the chosen public and private sector banks in India using several measures, such as capital adequacy, asset quality, managerial capability, earning capacity, and liquidity.

### Review of Literature

**Edilawit Gebregiorgies (2021)** Over the years 2010 to 2014, the study was conducted on six senior private commercial banks in Ethiopia. The three approaches to doing business and social research were used in the study. this study shows that, according to the overall performance of the CAMEL model, UNB, NIB, and BOA occupied positions one through three. With regard to capital adequacy ratio, NIB came out on top, while DAB received the lowest score. The asset quality measure placed UNB at the top and AIB at the bottom. The top spot in the management efficiency criteria has been shared by AIB and BOA, and WEB has the bottom spot. In terms of the earning quality metric, NIB took first place, followed by BOA in second place and WEB in third place. The last place went to DAB. When it came to liquidity, NIB placed first while DAB held the lowest position. Based on market capitalization, **Aswini S. Erol (2014)** the CAMEL model to assess the performance of Islamic and conventional banks in Turkey. The findings demonstrated that Islamic banks outperformed conventional banks in terms of profitability and asset management ratios, but lagged behind in terms of sensitivity to market risk criteria. **Sushendra Kumar Misra (2013)** the CAMEL approach to evaluate the State Bank Group's performance and financial soundness and came to the conclusion that it needed to strengthen its position with regard to asset quality and capital sufficiency.

### Objectives of the study

1. To learning the CAMEL Model on the financial performance of chosen private banks.
2. To analyse the financial expansion and order the banks included in the study based on their effectiveness and performance.

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