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Books

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

Contributions to books

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Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University.

Online resources

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

Website

- Kelkar V. (2009): Towards a New Natutal Gas Policy, Economic and Political Weekly, Viewed on 11 September 2009 http://epw.in/epw/user/viewabstract.jsp

A STUDY OF FINANCIAL PERFORMANCE OF SELECT INDIAN SCHEDULED COMMERCIAL BANKS USING CAMELS METHODOLOGY FOR 2006-2010

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ABSTRACT

Globalization, technological development and volatile stock market have created an unparalleled competitive environment for organizations across the world. With the advent of liberalization, Privatization and Globalization, survival of corporate has become a challenge. The Indian banking industry in India has witnessed radical changes and enormous growth ever since the government initiated the financial sector reforms in 1991. As a result of the foundations laid through the first and second generation reforms, the banking industry has witnessed a strong growth rally during last few years. The contribution of Reserve Bank of India (RBI) and other policy maker, the industry has witnessed transformational regulatory requirements. These revolutionary changes in the regulatory requirements have influenced prominent improvement in efficiency and performance of the Indian Scheduled Commercial banks in the past few years.

Against this backdrop the research paper evaluates the performance and efficiency of select Indian Commercial Banks like State bank of India, ICICI bank, Axis Bank, HDFC and Bank of India during the period 2009-2010 using the CAMEL methodology. The data required for this study was obtained from Annual reports of the respective banks. The author could readily obtain publications for five years — 2006-2010; the analysis is, thus, restricted to five years ending March 2010. The financial performance of the banks was measured using the CAMELS methodology which is a widely accepted tool for evaluating financial performance in Banks. CAMELS is an acronym where C - Capital Adequacy, A- Asset Quality, M – Management Efficiency, E- Earnings Efficiency, L- Liquidity and S- Sensitivity to Market Risk. The paper also compares the Performance of these Banks with the previous year 2008-2009 and ranks each bank on the basis of the findings got by the CAMEL Methodology evaluations.

The findings show that the performance of the banks for the year ended 2010 has been much better as against their performance during the previous year ended 2009.

KEY WORDS

Indian Commercial Banks, Financial Efficiency, Financial Performance, ICICI Bank, State Bank of India.

INTRODUCTION

An analyst puts it very aptly: "In the Banking Industry, Profits always take care of themselves but losses never do." With the dawn of liberalization, Privatization and Globalization, survival of corporate has become a challenge. Globalization, technological advancements and unpredictable stock market have created an unparalleled competitive setting for organizations across the world especially banks. Lending and Borrowing activities were the only activities which were looked at as the main functions of the bank when banks came into existence. Over time the banking in India has reached a fair amount of maturity in terms of services provided, product range and extensive reach especially in rural India. Yet reach to the Rural India still remains a challenge for the private sector and foreign banks, the Public Sector banks have addressed this issue through Financial Inclusion. Today banking structure has transformed with the help of securitization and derivatives trading. Securitization has increased the risk involved in the banking sector.

Since Indian economy is in the development and growth phase the demand for banking services, especially retail banking, Corporate Banking, mortgages and investment portfolio services are expected to be strong. The momentum for M&As, takeovers, and asset sales is also suppose to pick in the future years. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in Comparable economies in its region.

BACK GROUND OF THE STUDY

Banking is becoming an increasingly global industry, which knows no geographic and territorial boundaries. The Indian Banking Sector has witnessed phenomenal growth over the last few decades, especially after the nationalization of the Indian Banks in 1969. Looking at the last 17 years or so post-the economic reforms, the banking sector has definitely come a long way.

THE INDIAN BANKING SYSTEM AND ECONOMIC REFORMS

Commercial banks in India may be broadly categorized based on ownership into Public Sector Banks (PSBs), Private Banks and Foreign Banks. Together they fall under the Reserve Bank of India (RBI) classification of Scheduled Commercial Banks (SCBs)[1]. The public sector banks comprised of nationalized banks and the State Bank of India and its Associates. Private sector banks are comprised of the old private banks and the new private banks. PSBs dominate the Indian Banking System accounting for over 70% of the assets of the SCBs in India (Report on Trends and Progress of Banking in India, 2005).

The Banking Sector Reforms in India were initiated in 1992. The objectives of reforms were to strengthen the Indian banks, make them internationally competitive and encourage them to play an effective role to speedup the process of growth. The reforms process also initiated measures for improving the productivity, efficiency and profitability of the banking system.

The policy initiatives taken in these regards were largely based on the recommendations of Narasimham Committee I & II on Financial Sector Reforms and Banking Sector Reforms, respectively. Implementation of the recommendations of these two Committees was done sequentially to ensure that the progress of banking sector reforms takes place steadily without causing any systemic disturbance.

The major initiatives undertaken in pursuance of the recommendations of the Committees may be categorized under Deregulation, Prudential Measures, Competition and Enabling Measures. The impact of banking sector reforms on the performance of the banks in India as reflected in the prudential indicators on capital adequacy, asset quality, profitability and productivity, etc.

This study has highlights the fact that when it comes to fighting in the liberalized and globalized environment of today, PSBs are more geared now to survive in a fiercely competitive and highly complex global banking landscape. Banks have proven that when it comes to embracing global best practices, they are not behind even the best of the breed. Their successful migration to Basel II norms vouch for that.

The research paper analyzes the qualitative as well as quantitative factors for evaluating Indian Commercial Banks. The paper evaluates the adequacy of CAMELS in capturing the overall performance of a bank and also finds the relative weights of importance in all the factors in CAMELS. The paper also Ranks each bank on the basis of the findings got by the CAMEL Methodology evaluations.

While it would be too optimistic to expect banks to have the same level of performance that they delivered during the past few fiscal years, the findings show that their performance post recession for the fiscal year 2009 has been fairly acceptable and the performance and results during the fiscal year ended 2010 was positively remarkable.

OBJECTIVE OF THE RESEARCH

The objective of the research paper are

- Understand qualitative as well as quantitative factors for evaluating financial Banks
- To find the adequacy of CAMELS in capturing the overall performance of a bank .
- Analyze financial institutions and assign overall ratings through CAMELS model
- Provide recommendation for improvements of the bank performance

DATA COLLECTION AND SAMPLING

The data has been collected from the annual reports of the banks and other corporate databases. The Sample Size of the present research study involves an enhanced study of various banks.

My study includes comparison among the following banks:

- ICICI
- SBI
- AXIS
- HDFC
- Bank of India

The annual reports for 2006-2010 were readily available of the above stated banks.

METHODOLOGY

The present study of Banks is based on CAMELS Methodology, which evaluates each and every component that is of prime importance from the functioning of the Bank’s perspective. The model examines the efficiency of banks among these important parameters like Capital Adequacy, Asset Quality, Management, Earnings Quality, Liquidity and Sensitivity of Select Indian Scheduled Commercial Banks. All the Banks were ranked in the Ascending/descending order based on the individual sub-parameters.

FINDINGS AND ANALYSIS

CAMEL MODEL

I) CAPITAL ADEQUACY

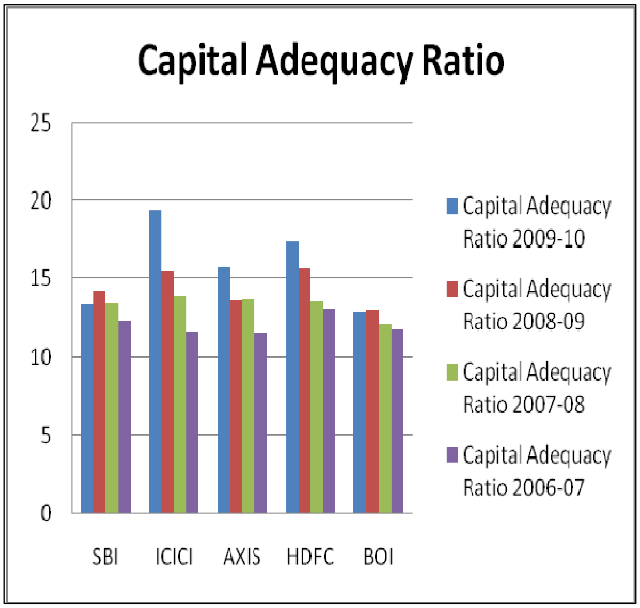
Capital adequacy reflects the overall financial position of a bank and also the ability of the management to meet the need for additional capital requirement.

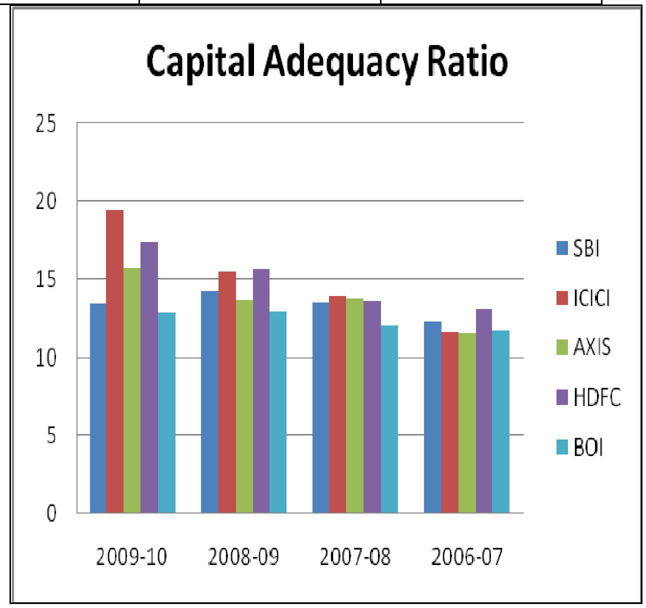
A) Capital Adequacy Ratio (CAR)

CAR reflects the ability of a bank to deal with probable loan defaults. The RBI guidelines stipulate banks to maintain a CAR of minimum 9%. It is arrived at by dividing the Tier I and Tier II capital by risk-weighted assets. Tier I capital includes 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 Table

Capital Adequacy Ratio				
Banks	2009-10	2008-09	2007-08	2006-07
SBI	13.39	14.25	13.54	12.34
ICICI	19.41	15.53	13.96	11.69
AXIS	15.80	13.69	13.73	11.57
HDFC	17.44	15.69	13.60	13.08
BOI	12.94	13.01	12.04	11.71





INTERPRETATION

CRAR is a ratio of Capital Fund to Risk Weighted Assets. Reserve Bank of India prescribes Banks to maintain a minimum Capital to risk-weighted Assets Ratio (CRAR) of 9 % with regard to credit risk, market risk and operational risk on an ongoing basis, as against 8 % prescribed in Basel documents. From the above table it is clear that HDFC has the most favored Capital adequacy ratio i.e. of 15.69% in the year 2008-09 however in 2009-10, ICICI Bank has outdone HDFC bank with a Capital Adequacy ratio of 19.41%. All the banks have maintained the minimum CRAR requirement of RBI.

Higher the ratio higher is the risk taking capabilities of banks due to any unexpected loss in the banking portfolio.

With respect to RBI norms of 9% every bank analyzed is in the favorable position. The main reason for a higher Capital is less disbursement of funds so that any unexpected loss can be handled properly by banks. The higher CAR would also lead to a favorable risk negotiations.

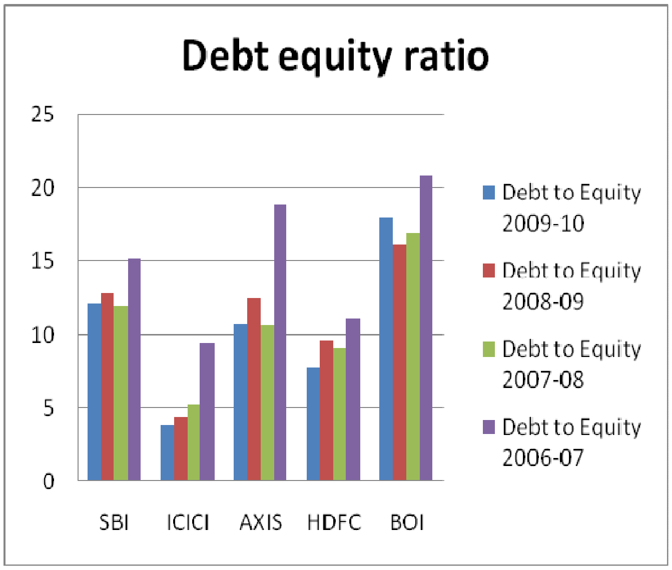
B) Debt-Equity Ratio (D/E)

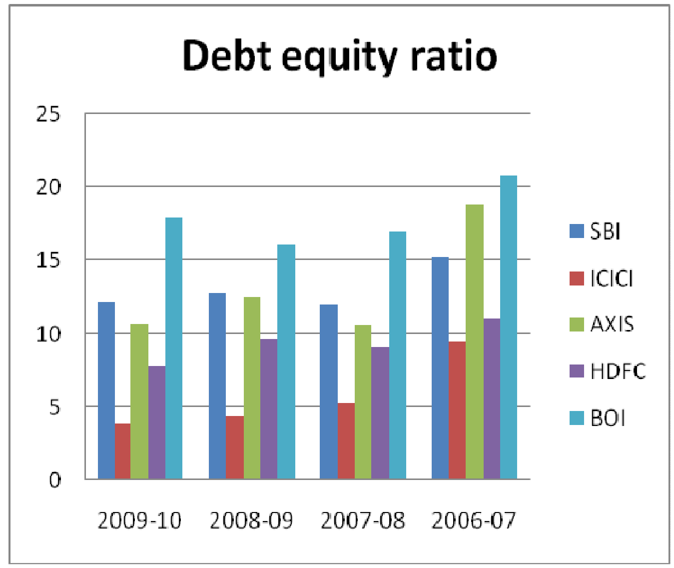
Debt-Equity Ratio is arrived at by dividing the total borrowings and deposits by shareholders' net worth, which includes equity capital and reserves and surpluses.

Debt to Equity Ratio Table

Debt to Equity				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	12.19	12.81	12.02	15.18
ICICI	3.91	4.42	5.27	9.50
AXIS	10.70	12.49	10.63	18.81
HDFC	7.78	9.67	9.15	11.05
BOI	17.95	16.10	17.00	20.86

Debt to Equity Ratio Chart.





INTERPRETATION

The Debt to Equity Ratio measures how much money a bank should safely be able to borrow over long periods of time. Generally, any bank that has a debt to equity ratio of over 40% to 50% should be looked at more carefully to make sure there are no liquidity problems.

If we look at the debt to equity ratio of State bank of India it is the highest as it relies more on cheaper funds i.e. CASA, the bank has largest amount of current accounts and saving accounts due to pan India presence. The CASA funds are the cheapest form of debt available to banks.

Now in the year 2008-09 ICICI bank has a Debt to equity of 5 times which is less compared to the other banks mainly because bank raised equity capital in the year 2009 and is 4 times in 2010 as it raises money through equity.

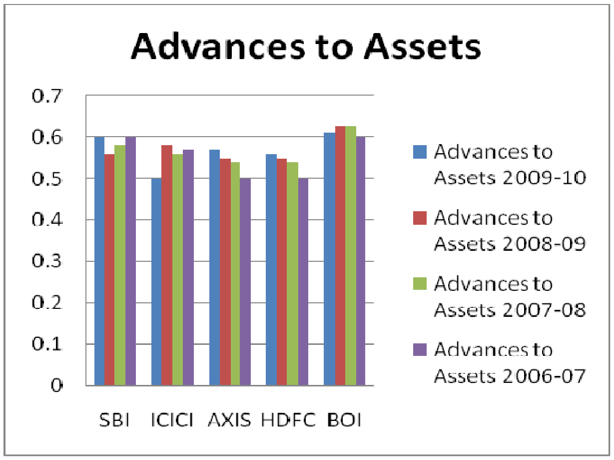
C)Advances to Assets (ADV/AST)

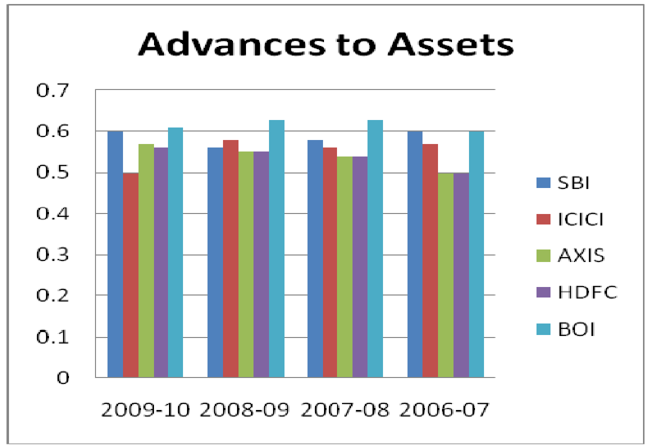
This is the ratio of the Total Advances to Total Assets. Total Advances also include receivables. The value of Total Assets excludes the revaluations of all the assets.

Advance to Asset Table

Advances to Assets				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	0.60	0.56	0.58	0.60
ICICI	0.50	0.58	0.56	0.57
AXIS	0.57	0.55	0.54	0.50
HDFC	0.56	0.55	0.54	0.50
BOI	0.61	0.63	0.63	0.60

Advance to Asset Table





Interpretation:

An advance to Assets ratio reflects a bank's positions and risk taking ability in lending funds. A higher Advances/Asset ratio shows that the bank is aggressively lending fund and vice versa. A general perception has been that private sector banks are more aggressive lenders as compared to their public sector counterparts. However, the trend seems to have reversed in the fiscal 2008-09 during which the PSBs have bettered the Ratio while the private sector banks turned risk-averse. Here in AXIS Bank, from 2006 to 2010 this ratio is continuously increased because increase in advances is more than increase in total assets which shows growth in investments.

Of this rise the corporate advances (comprising large and mid-corporate) increased by 41.98% during the same period, while agricultural lending increased by 49.23%. Retail loans grew 18.10%. The advance to asset ratio of SBI is strong and constant during the entire period of 2006-2010

II) ASSET QUALITY

The asset quality is to ascertain the proportion of non-performing assets as a percentage of the total assets .It also ascertains the NPA movement and the amount locked up in investments as a percentage of the total assets.

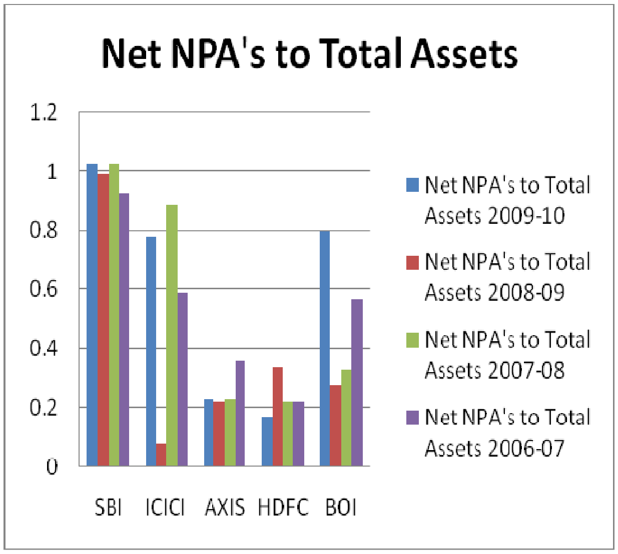
A Net NPAs to Total Assets (NNPAs/TA)

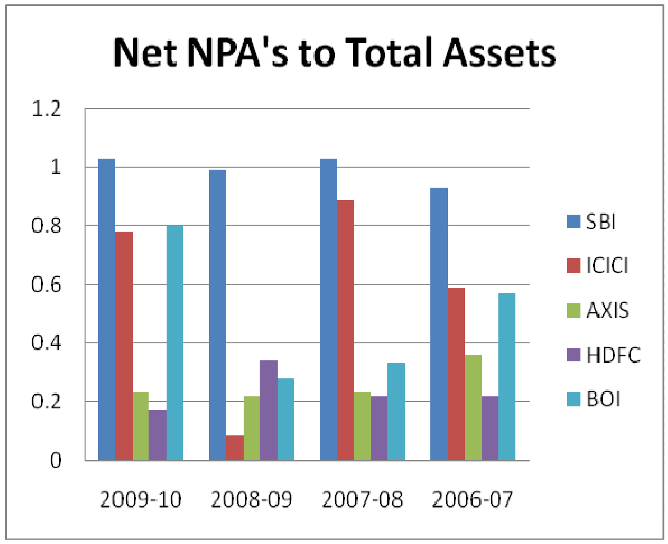
It is a measure of the quality of assets in a situation where the management has not provided for loss on NPAs. Net NPAs reflects the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also wear down the value of the asset.

Net NPA's to Total Assets Table

Net NPA's to Total Assets				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	1.03	0.99	1.03	0.93
ICICI	0.78	0.08	0.89	0.59
AXIS	0.23	0.22	0.23	0.36
HDFC	0.17	0.34	0.22	0.22
BOI	0.80	0.28	0.33	0.57

Net NPA's to Total Assets Chart





INTERPRETATION

An ICICI bank Net NPA's in 2008-09 was the lowest at 0.08 times and 0.78 times the total assets. The main reason for such low NPA's in 2008-09 is the good asset quality as well as securitization of the portfolio of loans by ICICI bank. There has been gradual decrease in the NPA for Bank of India with the increased focus on the client checks and background. SBI being the biggest provider of loans at Pan-India level the quality of loans given is not that good. The main reason for high level of NPA's is providing loans to important sectors like farming where the default rate is high.

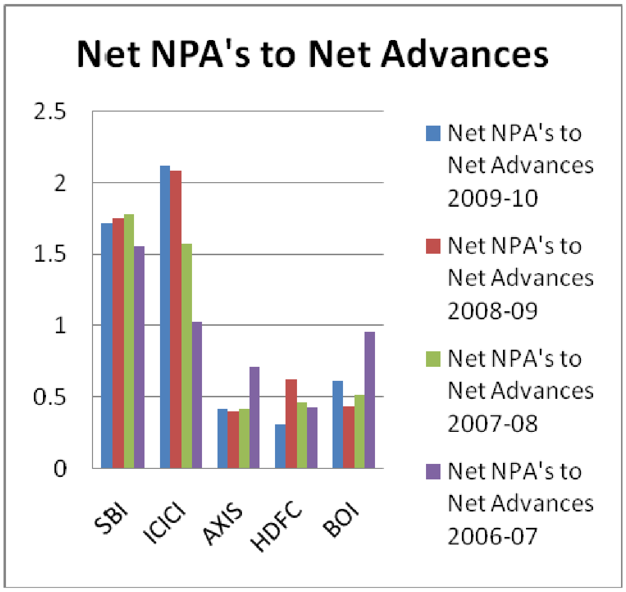
B Net NPAs to Net Advances (NNPAs/NA)

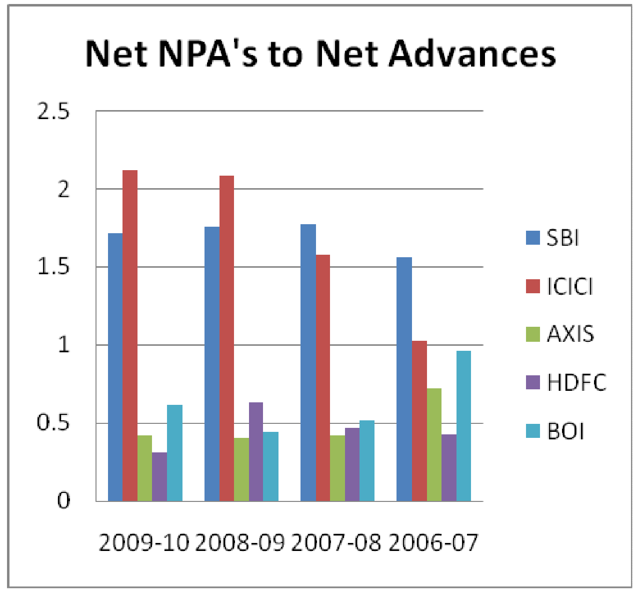
Net NPAs are Gross NPAs net of provisions on NPAs and suspense account.

Net NPA's to Net Advances Table.

Net NPA's to Net Advances				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	1.72	1.76	1.78	1.56
ICICI	2.12	2.09	1.58	1.03
AXIS	0.42	0.40	0.42	0.72
HDFC	0.31	0.63	0.47	0.43
BOI	0.62	0.44	0.52	0.96

Net NPA's to Net Advances Chart





INTERPRETATION

The trend in Net NPA's to Net Advances shows a similar to the trend in Net NPA's to Total Advances. The ratio would help us to determine the quality of advances that banks have. The quality of advances has a direct relation with the Net NPA's.

Axis bank has Net NPA's to Net Advances 0.4 is amongst the best performer in 2008-09 and 2009-2010. The quality of advances of ICICI bank has reduced drastically in 2008-09 and has further reduced in 2009-10.

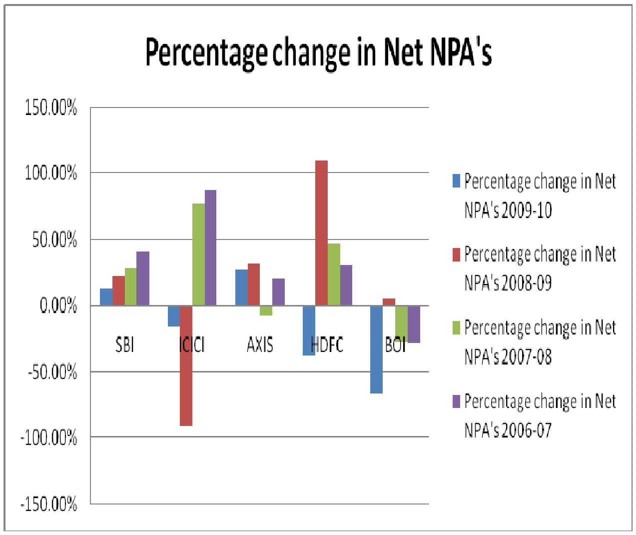
C Percent âge Change in Net NPAs

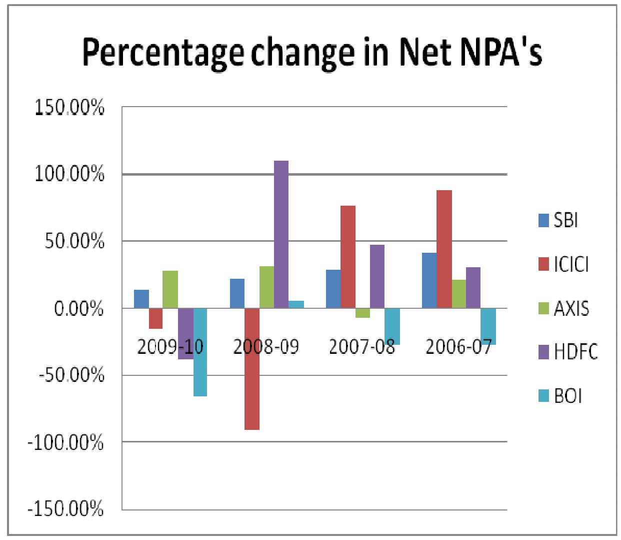
This measure gives the movement in Net NPAs in relation to Net NPAs in the previous year. The higher the reduction in Net NPA levels, the better it is for the bank.

Percentage change in Net NPA's Table

Banks	2009-10	2008-09	2007-08	2006-07
SBI	13.80%	22.51%	29.00%	41.00%
ICICI	-15.65%	-91.00%	77.00%	88.00%
AXIS	28.00%	32.00%	-7.00%	21.00%
HDFC	-37.53%	110.24%	47.00%	31.00%
BOI	-65.62%	6.08%	-27.09%	-27.50%

Percentage change in Net NPA's Chart





Interpretation:

Asset quality refers to the financial strength of and risk inherent in loans/advances and investment made by a bank.

The percentage change in Net NPA's would determine the improvement in the quality of advances year on year basis. The change in Net NPA's could mainly be due increase or decrease in the advances, the quality of advances, portfolio securitization, and default rate.

In 2008-09 and 2009-2010 the increase in Net NPA's was mainly due to the poor economic conditions. The increase in Net NPA's in HDFC bank was the highest in 2008-09 from 2007-08. However in 2010, the position is very favorable.

III) MANAGEMENT EFFICIENCY

Refers to the efficiency of the Management in managing the bank

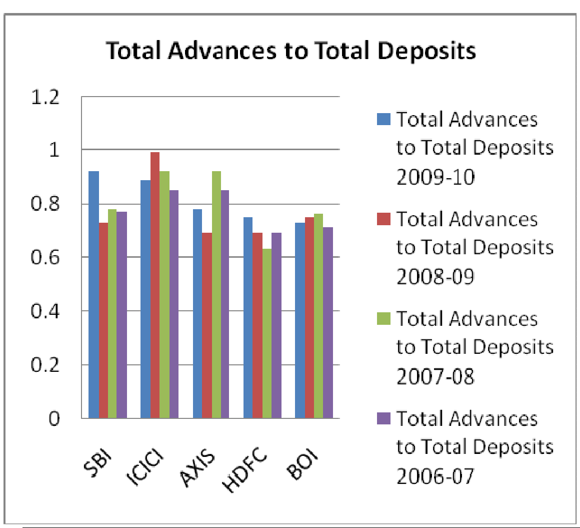
A Total Advances to Total Deposits (TA/TD)

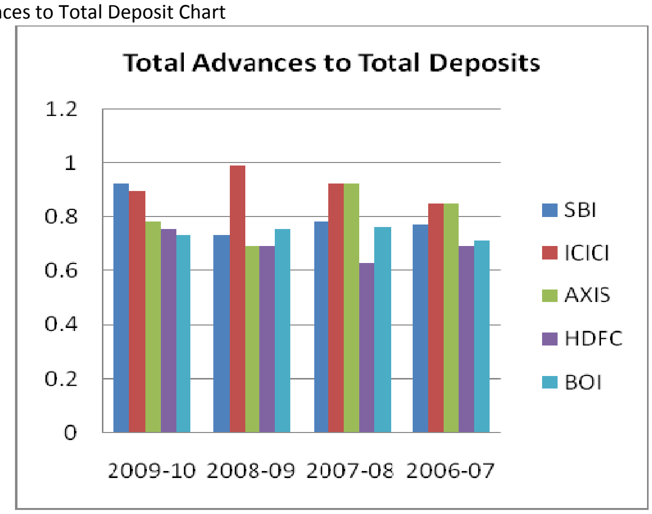
This ratio measures the efficiency of the management in converting the deposits available with the bank (excluding other funds like equity capital, etc.) into advances.

Total Advances to Total Deposit Table

Total Advances to Total Deposits				
Banks	2009-10	**2008-09**	**2007-08**	**2006-07**
SBI	0.92	0.73	0.78	0.77
ICICI	0.89	0.99	0.92	0.85
AXIS	0.78	0.69	0.92	0.85
HDFC	0.75	0.69	0.63	0.69
BOI	0.73	0.75	0.76	0.71

Total Advances to Total Deposit Chart





INTERPRETATION

This ratio shows the investment of the bank through approving the loans against accepting the loan. In Axis bank the ratio is continuously improving year by year from 0.85 in 2007-06 to 0.69 in 2008-09and 0.78 in 2009-2010. This shows a good sign of the bank, if it increases than it may be risky for the banks. In the year 2009, the ratio is improved because of 37% increment in Advances and 34% increment in deposits.

In Bank of India the ratio is continuously improvement from 0.76 in 2007 to 0.75 in 2008 and decreased a little to 0.73106 in the year 2009. In the year 2009 the ratio is decreased because of approximately 32% increment in Deposits and against that there was not any notable deference in advances.

B Profit Per Employee (PPE)

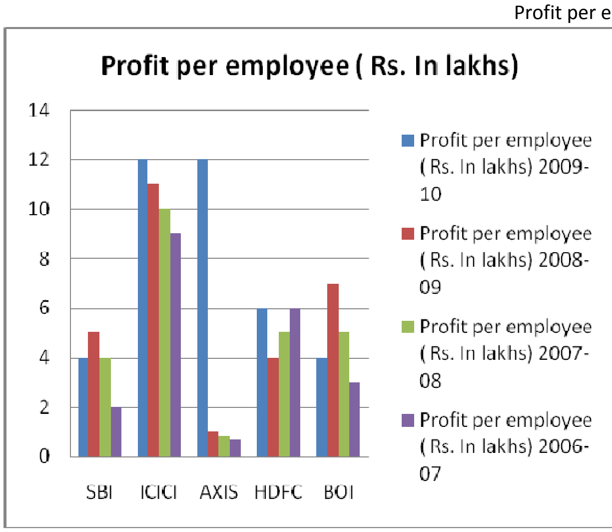
This measures the efficiency of the employee at the branch level. It also gives valuable inputs to assess the real strength of a bank's branch network. It is arrived at by dividing the net profit of the bank by total number of branches.

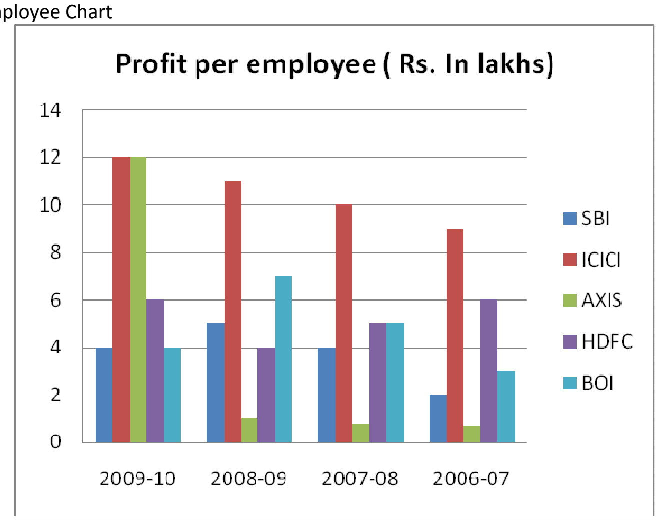
Revenue per employee is a measure of how efficiently a particular bank is utilizing its employees. Ideally, a bank wants the highest business per employee possible, as it denotes higher productivity. In general, rising revenue per employee is a positive sign that suggests the bank is finding ways to squeeze more sales revenue out of each employee.

Profit per employee Table

Profit per employee (Rs. In lakhs)				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	4.00	5.00	4.00	2.00
ICICI	12.00	11.00	10.00	9.00
AXIS	12.00	1.00	0.80	0.70
HDFC	6.00	4.00	5.00	6.00
BOI	4.00	7.00	5.00	3.00

Profit per employee Chart





The maximum profit per employee is for ICICI bank which is 12 lakhs in 2009-10 This shows the quality of work force with ICICI bank which has increased the profits year on year. Axis banks have superior staff with respect to the profits they generate. The maximum amount of profit that the employee generates would determine the skill sets of the employee as well as the HR policies of the bank. Good HR policies would benefit the banks with respect to the profit increment.

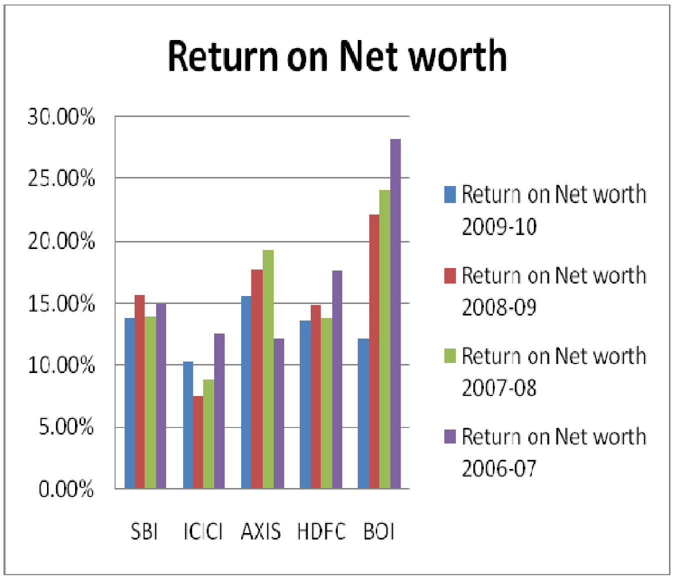
C Return on Net Worth (RoNW)

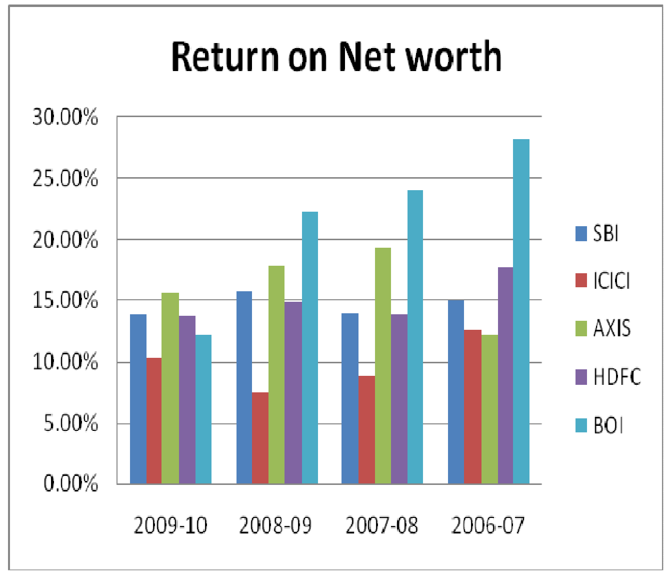
It is a measure of the profitability of a bank.

Return on Net worth				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	13.89%	15.74%	14.00%	15.00%

ICICI	10.36%	7.53%	8.88%	12.61%
AXIS	15.67%	17.77%	19.37%	12.21%
HDFC	13.70%	14.91%	13.83%	17.74%
BOI	12.23%	22.29%	24.09%	28.24%

Return on Net worth Chart





INTERPRETATION

Return on net worth determines the management quality as to how the assets are used. This ratio would help the shareholders determine is the management being able to generate additional value for them. The banks good return on net worth would enhance confidence in the mind of the customers as well as the share holders.

SBI with the highest RONW of 15% is being able to generate positive confidence and faith in the minds of investors and general public. SBI is the largest bank in India with highest amount of assets so the return of 15% is a good return.

IV) EARNINGS EFFICIENCY:

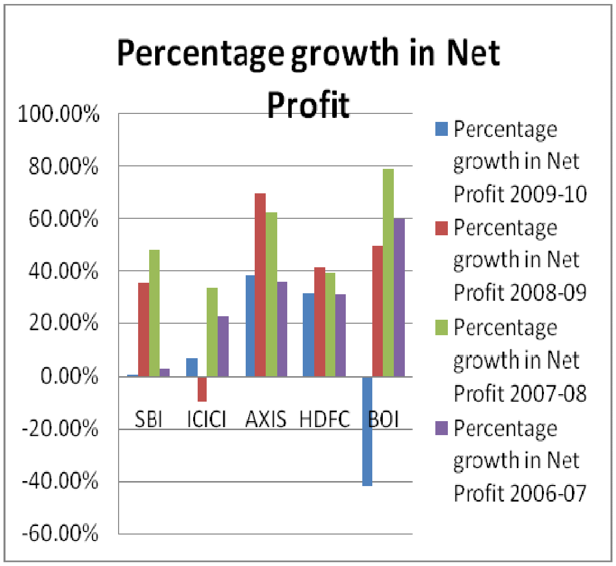
Much of a bank's income is earned through non-core activities like investments, treasury operations, corporate advisory services and so on.

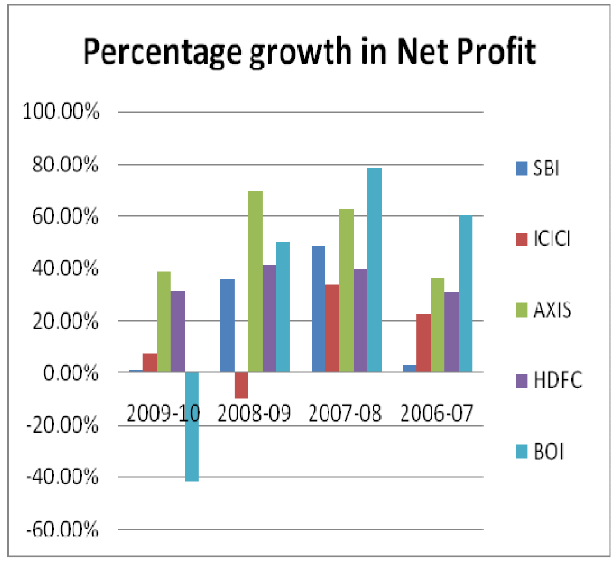
A Percentage Growth in Net Profit

It is the percentage change in net profit over the previous year.

Percentage growth in Net Profit				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	0.49%	35.55%	48.18%	3.06%
ICICI	7.10%	-9.61%	33.68%	22.45%
AXIS	38.51%	69.50%	62.52%	35.86%
HDFC	31.35%	41.18%	39.31%	31.08%
BOI	-42.11%	49.66%	78.90%	60.12%

Percentage Growth in Net Profit Chart





INTERPRETATION

The profit after tax would determine the efficiency of banks in using their assets and how have they generated the revenues. In 2009-10, banks generated the revenues from non core activities mainly from the treasury operations. ICICI bank has negative impact on net profit because of it having some shares in risky assets which caused the global meltdown.

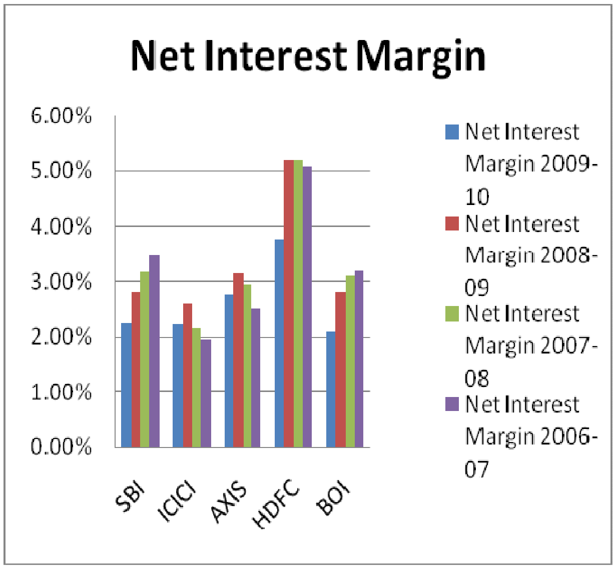
B Net Interest Margin (NIM)

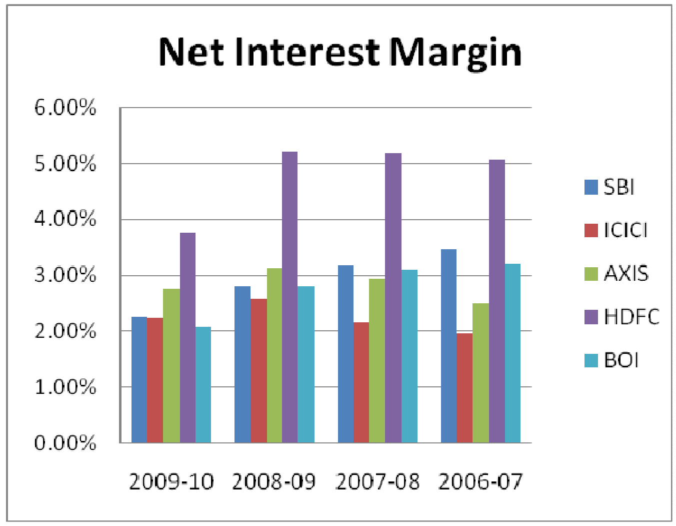
Net Interest Margin (NIM) is defined as the difference between interest earned and interest expended as a proportion of average total assets. Interest income includes dividend income. Interest expended includes interest paid on deposits, loans from RBI, and other short-term and long-term loans.

Net Interest Margin Chart

Net Interest Margin				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	2.25%	2.81%	3.17%	3.46%
ICICI	2.23%	2.60%	2.17%	1.96%
AXIS	2.77%	3.14%	2.95%	2.50%
HDFC	3.77%	5.20%	5.19%	5.08%
BOI	2.09%	2.81%	3.11%	3.20%

Net Interest Margin Chart





INTERPRETATION

Net interest margin (NIM) is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their assets. It is similar to the gross margin of non-financial companies. The banks NIM depend on how the assets are utilized and how the bank is able to cope up with the changes in the economic conditions.

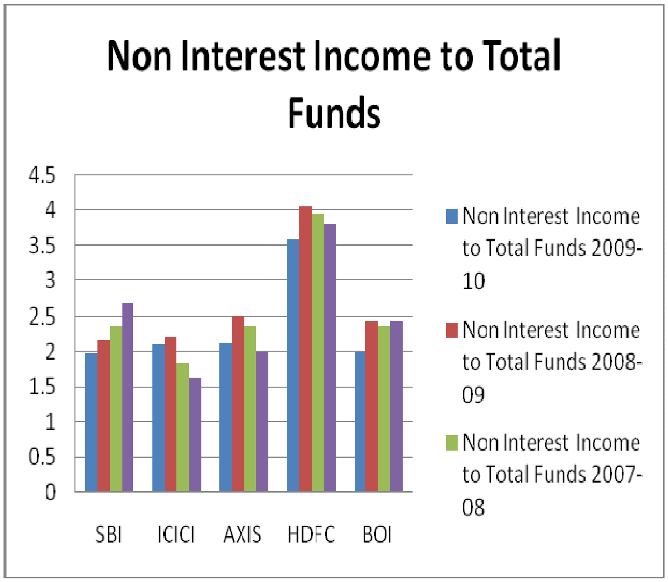
Net Interest margin of HDFC bank is the highest as the bank depends more on CASA and the quality of assets is also good. Management has taken care of the capital structure of the bank as they depend more on the cheaper form of debt.

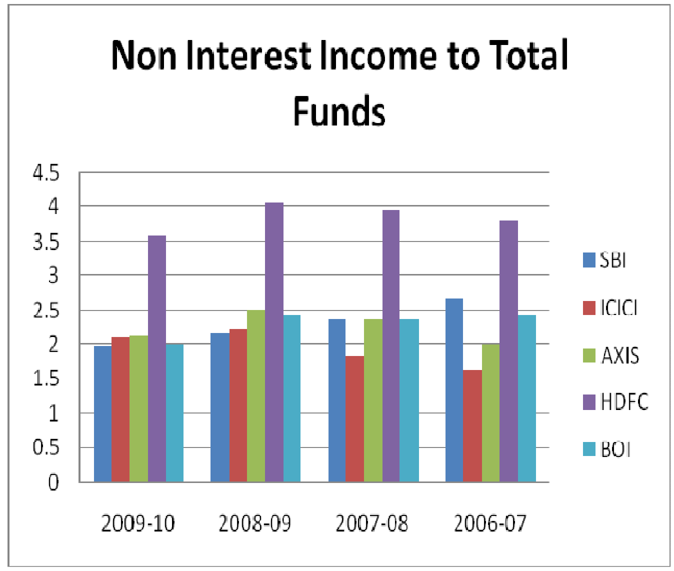
C Non-interest Income/Total Funds (NII/TF)

This measures the income from operations other than lending as a percentage of Total funds. A bank's earnings quality reflects its profitability and sustainability of the same.

Non-Interest Income to Total Funds				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	1.98	2.16	2.36	2.66
ICICI	2.10	2.21	1.83	1.64
AXIS	2.13	2.50	2.36	2.00
HDFC	3.58	4.05	3.93	3.80
BOI	2.00	2.44	2.36	2.43

Non Interest Income to Total Funds Chart





INTERPRETATION

Non Interest Income would help us to determine the ability of the bank to earn revenue from sources other than the core activities of the bank. The bank's core activities are lending and borrowing. The other activities which have developed over the years are mainly fee based activities like treasury operations and investment activities.

HDFC because its main focus on treasury operations and a strong revenue base in fee based segment has the highest ratio of 4.05 in 2008-09 and 3.58 in 2009-2010. It has tried to increase its ratio over the years to be a top player in this segment.

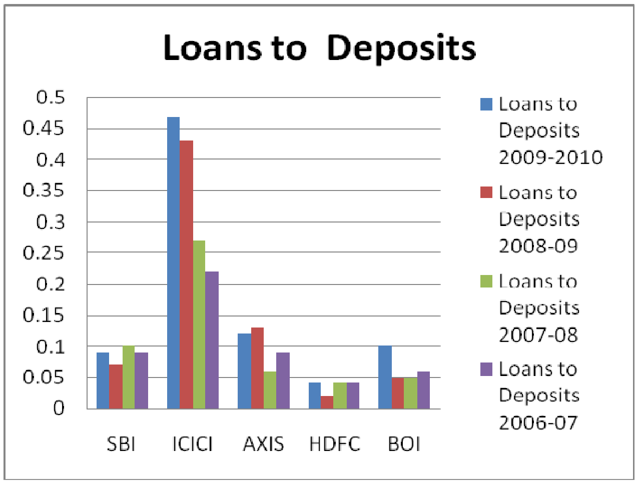
V) LIQUIDITY:

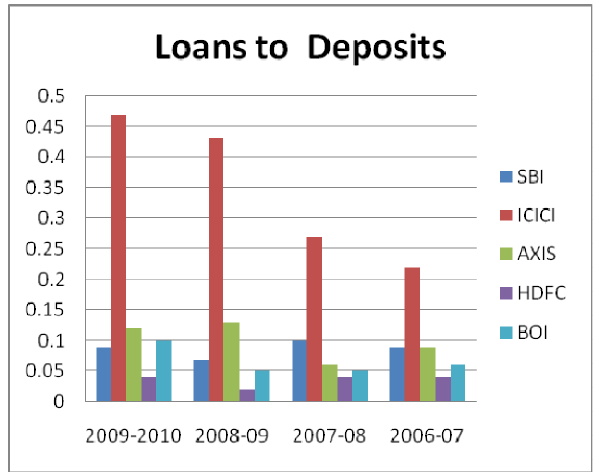
A Loans to Deposit Ratio :

This ratio measures the ability of a bank to meet the demand from demand deposits in a particular year.

Loans to Deposits				
Banks	**2009-2010**	**2008-09**	**2007-08**	**2006-07**
SBI	0.09	0.07	0.10	0.09
ICICI	0.47	0.43	0.27	0.22
AXIS	0.12	0.13	0.06	0.09
HDFC	0.04	0.02	0.04	0.04
BOI	0.10	0.05	0.05	0.06

Loans to Deposit Chart





INTERPRETATION

Loans to Deposits would help to determine the capability of the banks to cater to the needs of liquidity requirements. The current account and saving account clients can ask for withdrawals at any period and if banks are not able to fulfill the requirements it would affect the liquidity as well as proper functioning of the bank.

ICICI bank and BOI have good liquidity position in the market. The liquidity in the market would be helpful to cater to short term needs, if any short term loans can be taken. But taking short term loans would be expensive.

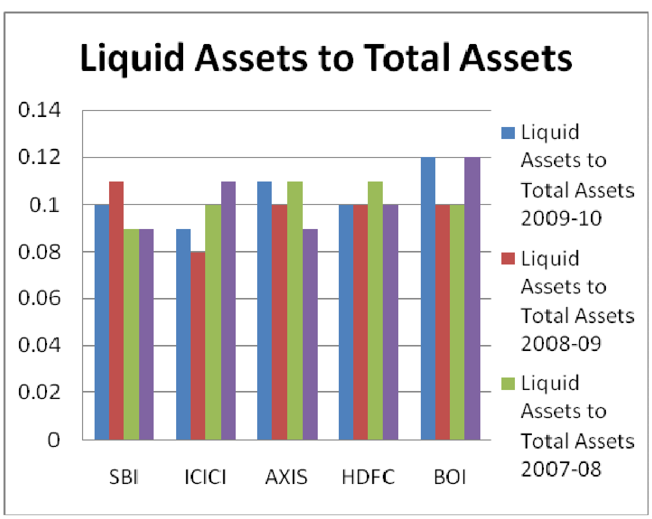
B *Liquid Assets/Total Assets (LA/TA)*

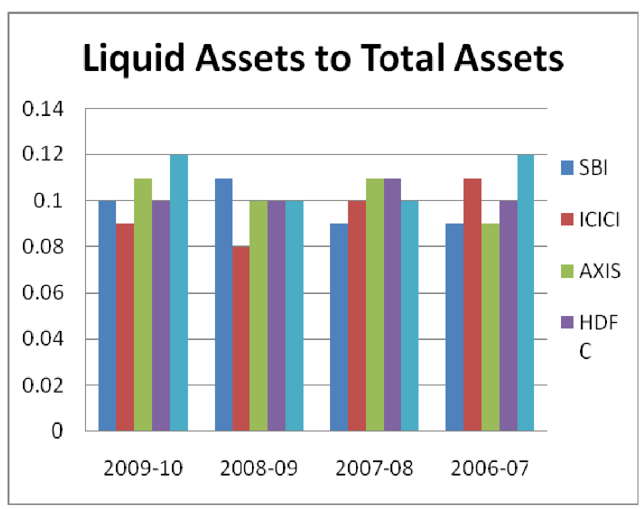
Liquid Assets include cash in hand, balance with RBI, balance with other banks (both in India and abroad), and money at call and short notice. The ratio is arrived by dividing liquid assets by total assets.

Liquid Assets to Total Assets Table

Liquid Assets to Total Assets				
Banks	**2009-10**	**2008-09**	**2007-08**	**2006-07**
SBI	0.10	0.11	0.09	0.09
ICICI	0.09	0.08	0.10	0.11
AXIS	0.11	0.10	0.11	0.09
HDFC	0.10	0.10	0.11	0.10
BOI	0.12	0.10	0.10	0.12

Liquid Assets to Total Assets Chart





INTERPRETATION

The ratio show much part of the deposits invested into the liquidity asset, which can be easily convert in to monetary value in the time of need. In Axis bank there is a huge variation in the percentage due to changes in the liquid assets base of the bank.
The highest percentage of liquid assets to total assets is for SBI bank and it is mainly because of the fact that the bank has major investments in short term assets.

VI) SENSITIVITY TO MARKET RISK
The sensitivity to market risk is an assessment of the effect of changes in market prices, changes in interest rates, currency exchange rates, , and stock prices on the banks earnings and capital. That is evaluation of the degree which changes in market prices, changes in interest rates, currency exchange rates, and stock prices, unfavorably affect a bank's earnings and capital. Some of the important aspects that may be considered to measure the sensitivity to market risk: The sensitivity of the bank's profits or the economic value of its capital base or net equity value due to unfavorable effect in the interest rates of the market. The Banks trading and foreign operations also have an impact on the market risk.
As regards the sensitivity to market risk, Basel Committee on Banking Supervision highlights the aspects like a) sensitivity of the financial institution's net earnings or the economic value of its capital to changes in interest rates under various scenarios and stress environments, b)volume, composition and volatility of any foreign exchange or other trading positions taken by the financial institution, c) actual or potential volatility of earnings or capital because of any changes in market valuation of trading portfolios or financial instruments, and d) ability of management to identify, measure, monitor and control interest rate risk as well as price and foreign exchange risk where applicable and material to an institution.
All of the Indian Scheduled Commercial Banks have become sensitive and responsive to customers' needs as well as have very well leaped into universal banking

DATA ANALYSIS
The analysis of all the above banks on different ratios' would be done based on the ranking. Ranking would be given to each parameter of the banks. Ratios' which is good would be given as rank no. 1 and accordingly other rankings would be determined. The data for determine the ranks of banks would be based on the year 2009-10.

CAPITAL ADEQUACY:

Banks	CAR (%)		D/E (times)		ADV/AST (times)	
	2008-09	Ranks	2008-09	Ranks	2008-09	Ranks
SBI	13.39	4	12.19	4	0.60	2
ICICI	19.41	1	3.91	1	0.50	5
Axis	15.80	3	10.70	3	0.57	3
HDFC	17.44	2	7.78	2	0.56	4
BOI	12.94	5	17.95	5	0.61	1

From the above data it is clear that in Capital adequacy ICICI bank tops the list. There is adequate capital in the banks. This has lead to an increased growth of performance in the bank.

ASSETS QUALITY:

Banks	NNPA/TA (times)		NNPA/NA (times)		CH in NPA (%)	
	2008-09	Ranks	2008-09	Ranks	2008-09	Ranks
SBI	1.03	5	1.72	4	13.80	4
ICICI	0.78	3	2.12	5	-15.65	3
Axis	0.23	2	0.42	2	28	5
HDFC	0.17	1	0.31	1	-37.53	2
BOI	0.80	4	0.62	3	-65.62	1

In Asset quality Bank of India has outperformed any other bank. The bank has a good mixture of loan portfolio and prudence risk management which has led bank to perform well in this front.

MANAGEMENT EFFICIENCY:

Banks	TA/TD (times)		PPE (Rs. Lakhs)		RONW (%)	
	2008-09	Ranks	2008-09	Ranks	2008-09	Ranks
SBI	0.92	1	4.00	4	13.89	2
ICICI	0.89	2	12.00	1	10.36	5
Axis	0.78	3	12.00	1	15.67	1
HDFC	0.75	4	6.00	3	13.70	3
BOI	0.73	5	4.00	4	12.23	4

The above table indicates that ICICI bank as well as State Bank of India has been able to perform efficiently on the management front. This has led to an increase confidence in the mind of the customers and investors. The performance of HDFC has been more or less consistent throughout.

EARNINGS EFFICIENCY:

Banks	PAT growth (%)		NIM (%)		NII/TF (times)	
	2008-09	Ranks	2008-09	Ranks	2008-09	Ranks

SBI	0.49	4	2.25	3	1.98	5
ICICI	7.10	3	2.23	4	2.10	3
Axis	38.51	1	2.77	2	2.13	2
HDFC	31.35	2	3.77	1	3.58	1
BOI	-42.11	5	2.09	5	2.00	4

From the above data it is clear that the performance of banks is different in all the three fronts, i.e. Axis bank has performed well with respect to PAT growth as well as respect to NII/TF. The bank was able to generate revenue from non core activities. So Axis bank would be leading all the other banks with respect to Earnings efficiency. SBI has not done well at all with respect to PAT growth due to provision for NPA's as well as operating cost increase due to merger of its subsidiaries. It would also determine the aggressiveness of the banks. Banks which would be more aggressive would have higher PAT growth also with higher revenues from both the core and non core activities.

LIQUIDITY

Banks	**LA/DD (times)**		**LA/TA (times)**	
	2008-09	**Ranks**	**2008-09**	**Ranks**
SBI	0.09	4	0.10	3
ICICI	0.47	2	0.09	5
Axis	0.12	3	0.11	2
HDFC	0.04	5	0.10	3
BOI	1.10	1	0.12	1

Bank of India has outperformed the other banks with respect to the liquidity parameter. The liquidity in banks would be helpful for the banks to cover the short term needs. Banks can borrow in the short term money market but it would affect the NII and PAT of the banks.

SENSITIVITY TO MARKET RISK

All of the Banks under study have become sensitive and responsive to customers' needs as well as have very well migrated to BASEL II norms as well as have leaped into universal banking.

CONCLUSION

With The effect of the crisis subsidizing in the global banking sector, The Indian banking sector having shown extraordinary financial performance even amidst the financial crisis.

Since liberalization the Indian banking sector has definitely come a long way, a hallmark of which has been the coming of age of the public sector banks, in particular. This Study finds that Public Sector Banks like Bank of India has done remarkable well on every CAMEL parameter. In the Case of Private Sector banks ICICI Bank has outperformed the other Private Sector Banks.

The Financial Performance in 2009-2010, proves that it is only a matter of time before the domestic banks foray abroad and with the growing globalization of Indian businesses through Mergers and Acquisitions, banks need to have global scale and size to compete effectively with their foreign counterparts, which are much bigger and efficient. With the support of the regulators Indian Banks have already started proving that they are really big and competitive.

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Hoping an appropriate consideration.

With sincere regards

Thanking you profoundly

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