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Financial performance analysis of SBI and HDFC Bank limited by camel approach (From 2013-14 to 2022-23)

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Abstract
Indian Banking industry is sufficiently capitalised and well regulated by RBI. The State Bank of India's (SBI) is largest bank in India. It has more then 24,000 branches, 195 foreign offices across 36 countries and more then 59,000 ATMs. HDFC Bank Ltd. is India's largest private sector bank by assets. In the 1980 CAMEL rating system was first introduced by U.S. supervisory authorities as a system of rating for on-site examination of banking institutions. CAMEL is an acronym for five (Now Six-Camels) components of bank safety and soundness. In this study we analysis only 5 acronyms are used for data analysis and interpretation. From this study, it is clear that HDFC has been a better performer as compared to SBI for the study period that is 2013-14 to 2022-23.

Keywords: SBI, HDFC Bank Ltd., CAMEL approach, ratio, financial performance

1. Introduction

Indian Banking industry is sufficiently capitalised and well regulated by RBI. A bank is a financial institution that provides banking and other financial services to their customers. Indian banking industry has been divided into organized Banks and unorganized Banks. Banking institutions in India have been showing signs of trouble. Some banks have come crashing down, creating a crisis-like sitation for customers and investors.

1.1 What is Camel approach

In the 1980 CAMEL rating system was first introduced by U.S. supervisory authorities as a system of rating for on-site examination of banking institutions. It is significant tool to assess the relative financial strength of a bank and to suggest necessary measures to improve weaknesses of a bank. But in India, RBI adopted this approach in 1996. Padmanabham Working Group (1995) committee recommended for this.
CAMEL is an acronym for five components of bank safety and soundness that is

1. C- Capital Adequacy (Capital Risk Adequacy Ratios, Debt Equity Ratio, Total Advances to Total Assets Ratio)
2. A-Asset Quality (Gross NPA Ratio, Net NPA Ratio, Total Investment to Total Assets Ratio)
3. M-Management Efficiency (Total Assets to Total Deposit Ratio, Assets Turnover Ratio, Net profit Margin Ratio)
4. E-Earnings Ability (Dividend Pay-out Ratio, Return on Assets Ratio, Interest Income to total Income Ratio)
5. L- Liquidity position (Credit Deposit Ratio).

In this study Capital Risk Adequacy Ratio, Return on Net Worth Ratio, Credit Deposit Ratio, Net Interest to Total Funds Ratio, Return on Assets Ratio and Return on Equity Ratio are used for data analysis and interpretation.

1.2 Profile of SBI

The State Bank of India was established on 1st July 1955, pursuant to the State Bank of India Act, 1955. The State Bank of India popularly known as SBI is one of the leading banks of India. It has more then 24,000 branches, 195 foreign offices across 36 countries and more

then 59,000 ATMs. Now it is largest public sector bank with subsidiaries and joint ventures outside India.

1.3 Profile of HDFC Bank Ltd

HDFC Bank Ltd. is largest leading private sector bank in India by assets. It was incorporated in August 1994. It has more then 8,192 branches, 195 foreign offices across 36 countries and more then 20,760 ATMs. Its provides a number of products and services.

2. Literature Review

L. Mous (2005) [14] studied bankruptcy prediction models of banks using financial ratios of profitability, turnover, liquidity, leverage and total assets in decision tree models and multiple discriminant models. In this study conclusion he found that the decision tree approach performed better.

C. Dudhe (2018) [5] in the article A selective study-camel analysis of Indian private sector banks empirically tested the appicability of Camel analysis norms. This study indentified risk management and preventing plans for banks sustainability.

Soundarapandiyan K. and Kumar S. Dinesh (2022) [17] in the article performance analysis using the camel approach reference to select banks in Tamilnadu during covid-19- an empirical study they conclude that because of revolutionary changes in the financial area lately, national banks each all over the planet have bettered their management quality and ways. In surveying the capability of the banks, various of the created nations are presently following an invariant financial standing framework alongside other being techniques and ways. The ongoing review has been led to look at the productive maintainability of an example of two banks in Tamil Nadu utilizing the CAMEL model during the COVID time frame. The review presumes that Select Banks in TamilNadu are monetarily sound and keep up with the standards in accordance with the legal Conditions.

Kumari Puja *et al.* (2023) [9] in the article Analysing performance of Indian Public Sector Banks using Camel approach they said that Camels framework evalute a bank's performance based on several factors including capital sufficiency, assets quality, management, earning and liquidity. Bank must maintain a minimum of 9% of CAR in according RBI guidelines.

3. Objective of the Study

1. To evalute both banks from Camel approach parameter.
2. To investigate profitability performance analysis of both banks.
3. To analysis the fiscal performance of both banks.

4. Research Methodology

The study is based on secondary data. The data required for the study has been collected from an extensive survey of literature in the form of journals, articles, government reports, books and Annual bank reports and from internet for the performance analysis of both bank.

5. Data Analysis and Interpretation

5.1 Comparative Analysis of Capital Risk Adequacy Ratio (CRAR)

It is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. This is a measure of a bank's ability to meet its obligations. A high CAR means the bank can absorb losses without diluting capital. It shows better financial health of a bank.

Table 1: Comparative Analysis of Capital Risk Adequacy Ratio (CRAR)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	12.96	12.79	13.94	13.56	12.74	12.85	13.13	13.47	13.85	14.68	13.40
HDFC	16.07	16.79	15.53	14.56	14.82	17.11	18.52	18.79	18.90	19.26	17.04

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

Table 1 shows that the Capital Risk Adequacy Ratio (CRAR) of both the banks under study are highly satisfactory and well above the standard set by RBI for Indian banks. SBI's CRAR appears more valatile compared to HDFC Bank Ltd. As indicated by the larger variations in its values from year to year.

Both banks have maintained their Capital Risk Adequacy Ratio. HDFC Bank Ltd. Consistently showing a stronger capital position campared to SBI throughout the study period.

5.2 Comparative Analysis of Return on Assets (%)

it shows how profitable a bank's assets are in generating revenue. A lower RoA means that bank is not able to utilise assets efficiently. Negative RoA implies the bank's assets are yielding negative return. The higher return on assets is better.

Table 2: Comparative Analysis of Return on Assets (%)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	0.65	0.68	0.46	0.41	-0.19	0.02	0.38	0.46	0.65	0.93	0.45
HDFC	1.72	1.73	1.73	1.68	1.64	1.69	1.71	1.76	1.79	1.81	1.73

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

The highest Return on Assets (%) of SBI was 0.93% in 2022-23 and that of HDFC was 1.81% in the year 2022-23, whereas the lowest Return on Assets (%) of SBI was registered in the year 2017-18 were -0.19% which could be due to various factors such as economic conditions, asset quality issues and may be operational challenges. The HDFC Bank Ltd. was registered in 2017-18 were 1.64% respectively. It is also evident that the mean Return on Assets (%) of HDFC Bank Ltd. (1.73%) is higher than SBI (1.28%) for the study period, which implies that HDFC Bank Ltd. scores over SBI in terms of return on assets. HDFC consistently outperforms SBI in terms of Return on Assets, indicating better profitability and asset utilization. SBI's ROA shows more volatility and occasional dips into negative territory, suggesting challenges in maintaining profitability and efficiency compared to HDFC. Further

analysis would be needed to understand the specific factors driving these differences and to formulate appropriate strategies for improvement.

5.3 Comparative Analysis of Return on Net Worth (%): -

It gives information about the profit earning capacity of the bank on the shareholder's invested amount. It is a profitability indicator of a bank expresseg in percentage.

Table 3: Comparative Analysis of Return on Net Worth (%)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	9.20	10.20	6.82	0.13	-2.21	.098	8.69	8.89	12.53	16.80	7.11
HDFC	20.88	20.36	17.97	18.04	18.22	16.30	16.76	15.17	15.38	15.89	17.50

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

Table 3 demonstrates that the Return on Net Worth (%) of both the banks under study is fluctuating over the study period. Return on Net Worth is the ratio of net profit to the net worth of an enterprise and is an important parameter in determining the profitability and management efficiency of an enterprise. The higher the return on net worth better is the performance of the enterprise. From the table, it is clear that the highest Return on Net Worth of SBI that is 16.80% was registered in the year 2022-23 whereas in case of HDFC Bank Ltd., the highest return on Net Worth that is 20.88% was registered in the year 2013-14. The lowest return on Net Worth of SBI was -2.21% in 2017-18 and in case of HDFC Bank Ltd., it was 15.17% in the year 2020-21. The mean Return on Net Worth of HDFC Bank Ltd. (17.50%) is higher than that of SBI (7.11) for the study period, which implies that HDFC Bank Ltd. has scores over SBI in terms of Return on Net Worth by 10.39%, indicating a superior performance on part of HDFC Bank Ltd. over its counterpart for the period under study. It indicating better returns generated for shareholders.

The table showa that SBI's Return on Net Worth appears to be more volatile with larger fluctuations in its value from year to year but HDFC Bank Ltd. Return on Net Worth remains relatively stable.

5.4 Comparative Analysis of Credit Deposit Ratio (%)

This shows how much a bank lends out of its deposits or how much of its core funds are used for lending. A high credit-deposit ratio suggests an overstretched balance sheet, and may also hint at capital adequacy issues.

Table 4: Comparative Analysis of Credit Deposit Ratio (%)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	85.83	82.43	82.98	72.96	70.01	75.73	72.52	72.42	72.22	75.79	76.29
HDFC	82	81	85	86	83	89	87	86	86	86	85.1

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

Credit Deposit Ratio denotes the proportion of loan assets created by a bank from the deposits received. The higher the credit deposit ratio, better is the performance of bank. It is clear from the table that the Credit Deposit Ratio of HDFC Bank Ltd. is showing an increasing trend, whereas in case of SBI, it is more or less stable throughout the study period. The highest Credit Deposit Ratio of SBI was 85.83% in 2013-14 and that of HDFC was 89% in 2018-19. The lowest Credit Deposit Ratio of SBI was registered in the year 2017-18 was 70.01% and HDFC was registered in the year 2014-15 and were 81%. The table shows that the mean Credit Deposit Ratio of HDFC Bank Ltd. (85.1%) is higher than that of SBI (76.29%) for the study period, it means that HDFC Bank Ltd. has created more loan assets from (8.81%) its deposits as compared to SBI.

SBI maintains a higher Credit Deposit Ratio compared to HDFC Bank Ltd. it indicating a higher proportion of its deposits being utilized for lending activities. In otherside HDFC Bank Ltd. maintains lower but stable Credit Deposit Ratio.

5.5 Comparative Analysis of Net Interest to Funds Ratio (%)

Interest income to total funds ratio indicates how much interest is earned with respect to total deposits.

Table 5: Comparative Analysis of Net Interest to Funds Ratio (%)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	5.07	4.93	4.65	4.33	4.05	4.01	3.84	2.59	2.62	2.77	3.87
HDFC	4.66	4.49	4.47	4.26	3.84	4.15	3.93	3.96	3.77	3.83	4.14

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

Table 5 shows that Net Interest to Total Funds Ratio (%) of SBI and HDFC Bank Ltd. for the study period. Net Interest to Total Funds Ratio is a measure of the proportion of net interest to total funds available to an institution. From the table, it is clear that the highest Net Interest to Funds Ratio of SBI was 5.07% in 2013-14 and that of HDFC was 4.66% in 2013-14. The lowest Net Interest to Funds Ratio of SBI was 2.59% in the year 2020-21 and that of HDFC was 3.77% in the year 2021-22. The Net Interest to Funds Ratio has been slightly decreasing in case of SBI after year 2016-17 whereas in case of HDFC Bank Ltd. it is showing an zigzang trend. The mean Net Interest to Funds Ratio of SBI (3.87%) is higher than that of HDFC Bank Ltd. (4.14%) for the study period, which implies that HDFC Bank has outperformed SBI in terms of Net Interest to Funds Ratio over the period under study.

The table shows that both banks show a declining trend in the Net Interest to Funds Ratio. It is very to assess the effectiveness of each bank's strategies in optimizing their net interest income and managing funding costs.

5.6 Comparative Analysis of Return on Equity (%)
To determine ROE, we need to assess the net income for the brand and divide it by the shareholders' equity. ROEs of 15-20% are generally considered good.

Table 6: Comparative Analysis of Return on Equity (%)

Banks	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Mean
SBI	10.49	11.17	7.74	7.25	-3.78	0.48	7.74	8.89	12.53	16.8	7.93
HDFC	19.5	16.47	16.91	16.26	16.45	14.12	15.35	15.17	15.38	15.89	16.08

Source: Annual Reports of SBI and HDFC from 2013-14 to 2022-23

Table 6 demonstrates that the Return on Equity of both the banks under study is fluctuating from year to year. Return on Equity is the ratio of net earnings to equity shareholders to the total equity shareholder's fund. It is a measure of profitability and earnings of an institution and the higher the return on equity, the better is said to be the performance of the firm. The highest Return on Equity of SBI was 16.8% in the year 2022-23 and in case of HDFC Bank Ltd., it was 19.5% in the year 2013-14, whereas the lowest Return on Equity of SBI was -3.78% in 2017-18 and that of HDFC was 14.12% in 2018-19. It is also evident that the mean Return on Equity of HDFC Bank Ltd. (16.08%) is higher than that of SBI (7.93%) by 8.15%, which implies that HDFC Bank Ltd. provides a higher return to equity shareholders as compared to SBI.
The table shows that HDFC Bank Ltd. maintaina a higher Return on Equity compared to SBI in the period under study. So, it is necessary to understand the specific factor driving these differences and to formulate appropriate strategies for improvement.

6. Findings and Discussion
The study findings according to the data analysis is like this-
1. The mean CRAR of HDFC Bank Ltd. 17.04% is greater than that of SBI 13.40% for the study period. This indicates that HDFC Bank has maintained a higher level of capital adequacy compared to SBI, suggesting better risk management and financial stability. However, it's important to consider other factors beyond just CRAR to comprehensively assess performance.
2. In maintaining minimum capital to mitigate credit risk, market risk and operational risk HDFC Bank Ltd. is better.
3. The mean Return on Assets of HDFC Bank Ltd. 1.73% is maximum than that of SBI 1.28% for the study period. This indicates that HDFC Bank has been more effective in utilizing its assets to generate earnings, reflecting stronger operational efficiency and potentially better management of resources.
4. HDFC Bank Ltd. scores over SBI in terms of return on assets.
5. The mean Return on Net Worth of HDFC Bank Ltd. 17.50% is higher than that of SBI 7.11% for the study period indicating a superior performance on part of HDFC Bank Ltd. over its counterpart for the period under study. It measures the profitability of a company relative to the shareholders' equity. A higher ratio indicates that HDFC Bank has been more efficient in generating profits with its shareholders' equity compared to SBI during the specified period.
6. The mean Credit Deposit Ratio of HDFC Bank Ltd. 85.1% is higher than that of SBI 76.29% for the study period. The HDFC Bank Ltd. having a higher Credit Deposit Ratio compared to SBI, it implies that HDFC Bank has created more loan assets from its deposits in comparison to SBI.
7. The mean Net Interest to Funds Ratio of HDFC Bank Ltd. 4.14% is higher than that of SBI 3.87% by 0.27% for the study period. The HDFC Bank Ltd. has been more efficient in managing its interest-earning assets relative to its funding base, indicating stronger profitability or better management of interest rate risk.
8. The mean Return on Equity of HDFC Bank Ltd. 16.08% is higher than that of SBI 7.93% by 8.15%. A higher ROE indicates that HDFC Bank Ltd. is providing a higher return to its equity shareholders compared to SBI. It is better for shareholder to invest in HDFC Bank Ltd. Ltd.

7. Suggestions
The following suggestions have been suggested for the respective banks under study:
1. These banks have a very low level of return on assets.
2. So, assets must be utilised in a more efficiently for improving the return on assets. Because the efficiency enables managers benchmark the bank's performance. It explores the areas of inefficiency for future improvements.
3. SBI has a very high debt equity ratio but debt equity ratio of HDFC Bank Ltd. is low.
4. It is suggested that SBI impliment an effective measure to control total debts.
5. Its find that SBI has a lower credit deposit ratio.
6. SBI must create a higher proportion of loan assets from total deposits received. SO that profit will increase.
7. Investing in HDFC Bank Ltd. may be more beneficial for shareholders seeking higher returns on their equity investments.

8. Conclusion and Recommendations
The present study focuse on the performance appraisl of two most valuable banks for the period of ten years that is from 2013-14 to 2022-23. Because of its usefulness the CAMEL approach is widely used bry bank's regulators. This study topic will be a good area for future researchers and policy maker. If research period changes, the result may change in future according to the future expected data and in improving financial and banking sector in India. In future study should consider other banks for realistic findings and results.

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