



Performance Evaluation of The Union Bank of India through Camel analysis

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Abstract

The CAMEL approach is a commonly utilized and popular technique for assessing the overall performance of organizations, especially those in the banking sector. It is utilized to evaluate the operational efficiency of the bank's performance. The performance evaluation of banks is a challenging task within the banking sector, which has been streamlined using the CAMEL technique. This is a commonly utilized and popular technique for assessing the overall performance of a business, including the banking sector. It is utilized to assess the operational efficiency of the bank's performance. Consequently, the current study seeks to evaluate the overall performance of the UBI over a five-year period (2021-2025) utilizing the CAMEL technique. The analysis revealed that UBI demonstrated robust capital adequacy across all four metrics during the study period. The asset quality of the UBI varied over the study period. The management efficiency of the UBI improved across all three measures. However, the emphasis on earnings quality should prioritize the enhancement of operating profit. The bank's liquidity has deteriorated during the study period, which is a significant problem that requires additional improvement.

Keywords: Camel, UBI and financial performance

Introduction

The Indian banking sector is experiencing rapid expansion and is seeking extra funds from the capital market to facilitate its growth. The banking sector caters to a varied customer with an extensive array of services. The banking sector is seen as a crucial element of the Indian economy, as it extends loans to practically all industries, hence influencing economic performance. The banking sector is regarded as an indicator of the economy that reflects macroeconomic variables. In 2015, the RBI initiated a financial inclusion campaign by establishing a novel type of bank in our nation. On September 17, 2015, the RBI issued provisional licenses to eleven enterprises to operate as small finance banks in India. To fulfill its objectives, the small finance bank will primarily conduct fundamental banking activities, including accepting deposits and providing loans to underserved and unserved demographics, such as small business units, small and marginal farmers, micro and small enterprises, and entities within the unorganized sector. Small finance banks provide services to unorganized sectors, small business entities, marginal farmers, small-scale enterprises, and other underserved societal segments that are overlooked by Scheduled Commercial Banks and Non-Banking Financial Institutions. The acronym CAMEL stands for Capital Adequacy, Asset Quality, Management Competence, Earning Quality, and Liquidity. The five specified parameters are employed in this approach to assess the organization's performance, enabling a multifaceted examination of its efficacy. It is a methodology based on ratios for assessing bank performance. Camel models utilize a five-parameter grading system to assess bank performance.

Review of Literature

Lalitha & Sunaina (2023) ^[1] compared and assessed the financial performance of SBI and HDFC banks in India for the period of 2018-2022 through adoption of CAMEL technique. The study found that CAMEL model is very

appropriate technique for assessing the strength and weakness of the banking sector. The outcome of the study revealed that HDFC bank has better performance in all parameters as compared to SBI.

Chaudhuri (2018) ^[4] study also compared the financial performance of the SBI in relation to private banks of ICICI in the selected parameters of banks such as profitability, solvency position and management efficiency. The study found that both banks are maintaining the required standards and running profitability. The study observed better performance of ICICI bank in terms of profitability and management efficiency as compared to SBI for the study period.

Kandi Prasada Rao & G Arun. Kuma (2022) adopted CAMEL model and assessed the performance of five public and five private sector banks for the period of 2017-2022. The outcome of the study found that in all five parameters i.e. capital adequacy, asset quality, management efficiency, earnings quality and liquidity private sectors banks reported outstanding performance than selected private sectors banks. Singhal, Parmod Kumar (2020) ^[3], analyzed that measure the financial position and performance of public sector banks, ranking them accordingly. For this purpose, 21 Indian public sector banks have been taken into consideration, over a period of ten years, i.e. 2008-2009 to 2018-2019. The study found that, Indian public sector banks are trying toward maintaining adequate capital, and in years to come, all banks should strive toward achieving more than the required level. Public sector banks need to brainstorm innovative ideas, which can help them deploy funds after proper analysis of the risk exposure.

Anyike Lucky (2017): examined performance of Nigerian quoted commercial banks for the period of twenty years i.e. 1997 to 2016. The study adopted CAMEL technique and time series data of the variables were sourced from financial statements of the quoted deposit money banks which in the period. The study found that, post consolidation is better than the pre-consolidation and that there is significant

difference between pre and post consolidation of quoted commercial banks using CAMELS criteria. He has recommended that the banking sector reforms should be strengthened deepened and the capital and management of the commercial bank should be used effectively to achieve the objective of banking sector reforms.

Mahila Vasanthi Thangam (2016) [6]: analysed that the banks must concentrate on per branch productivity as well as per employee productivity because number of employees are of highly influencing the productivity of banks. The rightsizing of banks is the only solution to improve productivity in Central Bank of Indian banking industry to fulfil the goal of Indian financial sector reforms and to improve the Central Bank of banking sector to the international standard.

Need of the Study

The measurement of financial performance of banks is very important to understand the overall efficiency and stability of the banking system in India. The present study focuses on this aspect by analysing the financial performance of UBI for a period of five years from 2020–2025 using CAMEL model. The study helps to find out the financial health of the Bank and evaluating the strengths and weaknesses of banks in terms of liquidity, profitability, asset quality, management efficiency and overall performance.

Objectives of the Study

The present study is aimed at

1. To analyze the Capital Adequacy Ratio of the Union Bank of India.
2. To examine the Assets Quality t Ratio of the UBI.
3. To evaluate the Management Efficiency Aspect Ratio of the UBI.

4. To find out the Earning quality aspect Ratio of the UBI.
5. To assess the Liquidity Aspect Ratio of the UBI.

Research Methodology

Present study is purely based on the secondary data computed on the data collected from the company annual reports for the period of 2020-21 to 2024-25 which is five years study period. The study selected Union Bank of India as sample units in the study by purposive sampling technique method. Present study analyzed the performance of selected Bank for the period of 2020-2025 i.e. total five years of financial performance is measured with CAMEL method. The study used ratios techniques and averages and %ages. The research variables are discussed in the next session.

Research Variables

- a. Capital Adequacy Ratio: Capital adequacy ratio, Credit deposit ratio, Loan to deposit ratio and Debt to equity ratio
- b. Assets Quality Aspect: Net NPA to net advances ratio, Net NPA to total assets ratio, and Total investments to total assets ratio
- c. Management Efficiency Aspect: Business per employee ratio, Profit per employee ratio, Credit deposit ratio and Return on net worth (or return on equity) ratio
- d. Earning quality aspect: Return on assets (ROA) ratio, Net interest margin to total assets ratio, Operating profit to total assets ratio and Interest income to total income ratio
- e. Liquidity Aspect: Current ratio and Quick ratio

Data Analysis and Interpretation

Table 1: Capital Adequacy of UBI during 2021-2025 (%)

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Capital adequacy ratio	12.60	14.52	16.00	17.00	18.01	15.63
02	Credit to deposit ratio	63.97	69.6	73.74	74.5	75.01	71.36
03	Loan to deposit ratio	63.97	64.03	64	75.01	78.06	69.01
04	Debt to equity ratio	15.1	15.3	14.8	12.82	11.77	13.95

Source: Company Annual Reports & Money control

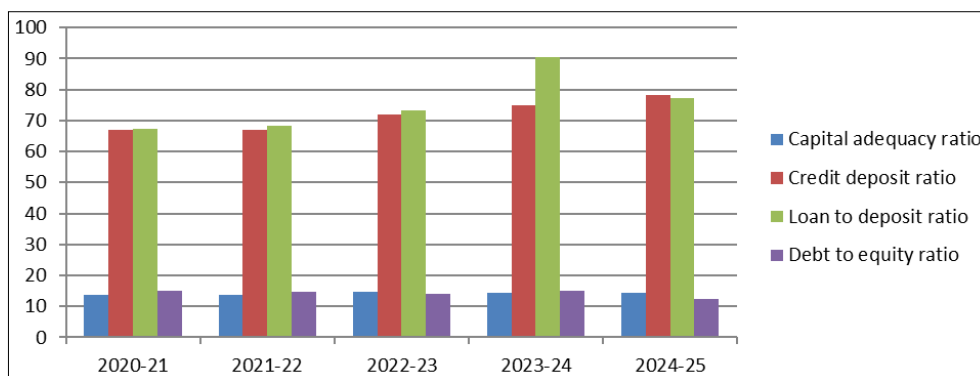


Fig 1: Capital Adequacy of UBI during 2021-2025 (%)

Table 2: Asset Quality of UBI during 2021-2025 (%)

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Net NPA to Net Advances	1.29	1.10	1.67	1.59	1.35	1.40
02	Net NPA to Total Assets	1.08	1.03	1.03	0.98	0.55	0.93
03	Total Investment to Total Assets	31.3	29.3	26.7	24.4	23.95	27.13

Source: Company Annual Reports & Money control

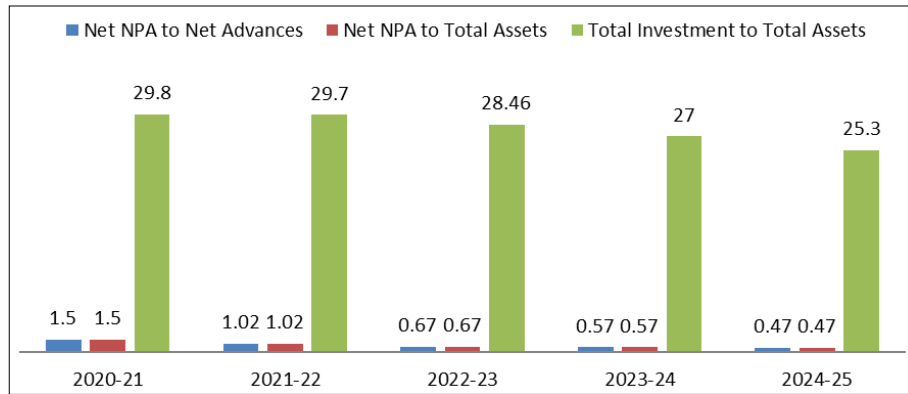


Fig 2: Asset Quality of UBI during 2021-2025 (%)

Management Efficiency Ratio

Table 3: Management Efficiency of UBI during 2021-2025 (%)

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Business Per employee (Rs Lakhs)	19.37	22.52	18.55	28.02	31.02	23.896
02	Profit Per employee (Rs Lakhs)	3.72	6.96	11.16	18.00	24.34	12.836
03	Return on Net Worth	6.25	8.28	12.17	16.68	18.05	12.286

Source: Company Annual Reports & Money control

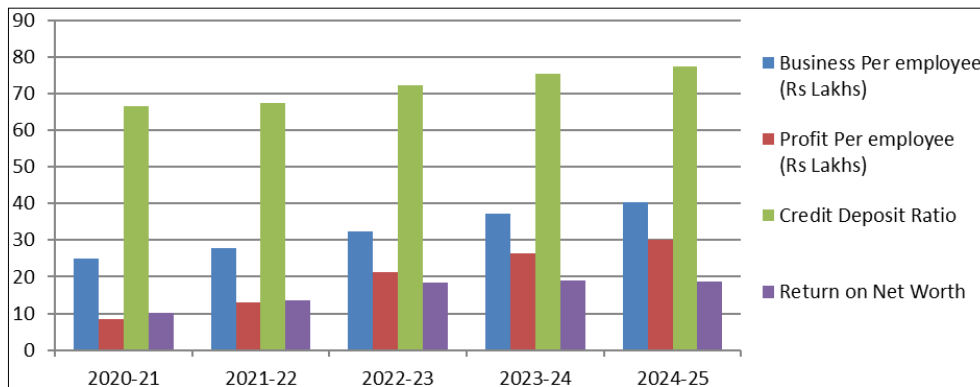


Fig 3: Management Efficiency of UBI during 2021-2025

Earnings Quality Ratio

Table 4: Earning Quality of UBI during 2021-2025 (%)

Ratios		2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Return on Assets Ratio	0.26	0.44	0.65	0.98	1.26	0.71
02	Net Interest Margin	2.7	2.8	3.0	3.0	2.9	2.88
03	Operating Profit to total Assets ratio	-0.78	-0.61	-0.48	-0.17	-0.12	-0.43
04	Interest income to total income ratio	82.9	84.8	85.1	86.6	85.0	84.88

Source: Company Annual Reports & Money control

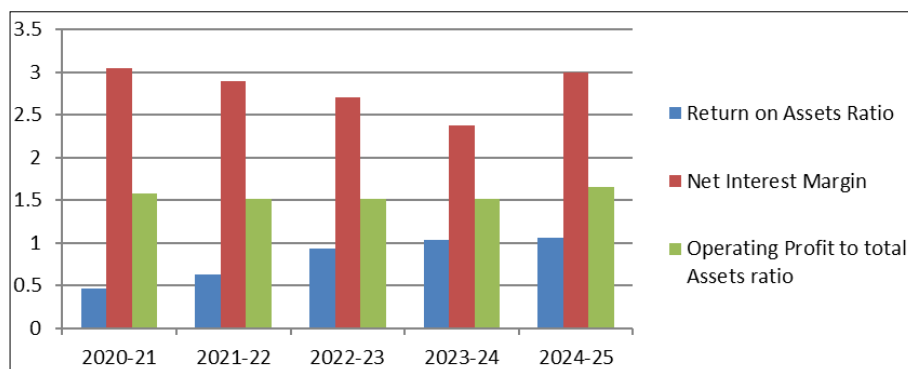


Fig 4: Earning Quality of UBI during 2021-2025

Liquidity Ratio

Table 5: Liquidity of UBI during 2021-2025 (%)

	Ratios	2020-21	2021-22	2022-23	2023-24	2024-25	AVG
01	Current ratio	1.82	1.54	1.41	1.18	1.02	1.39
02	Quick ratio	1.25	1.05	0.95	0.86	0.65	0.95

Source: Company Annual Reports & Money control

Findings of the Study

- **Capital Adequacy:** UBI Bank Capital Adequacy ratio is 12.60 % in 2020-21 increased to 14.52 % in 2021-22 followed by 16.00 % in 2022-23, 17.00 % in 2023-24 and 18.01 % in 2024-25, the average capital adequacy ratio was 15.63 % which is higher than RBI standard. UBI Bank Credit deposit ratio is 63.97 % in 2020-21 increased to 69.6 % in 2021-22 followed by 73.74 % in 2022-23, 74.5 % in 2023-24 and 75.01 % in 2024-25, the average credit to deposit ratio was 71.36 %. UBI Bank Loan to Deposit Ratio is 63.97 % in 2020-21 is slightly increased to 64.03 % in 2021-22 followed by 64 % in 2022-23, 75.01 % in 2023-24 and 78.06 % in 2024-25, the average loan to deposit ratio was 69.01 %. Similarly, UBI Bank Debt to Equity Ratio is 15.1 % in 2020-21 slightly increased to 15.3 % in 2021-22 followed by 14.8 % in 2022-23, 12.82 % in 2023-24 and 11.77 % in 2024-25, the average ratio was 13.95. The study found good improvement in four capital adequacy parameters during the study period.
- **Asset Quality:** UBI Bank Net NPA to Net advances Ratio is 1.29 % in 2020-21 slightly decreased to 1.10 % in 2021-22 followed by 1.67 % in 2022-23, 1.59 % in 2023-24 and 1.35 % in 2024-25, the average ratio was 1.40%. UBI Bank Net NPA to Total Assets Ratio is 1.08 % in 2020-21 slightly decreased to 1.03 % in 2021-22 followed by 1.03 % in 2022-23, 0.98 % in 2023-24 and 0.55 % in 2024-25, the average ratio was 0.93% during the study period. UBI Bank Total Investments to Total Assets Ratio is 31.3 % in 2020-21 decreased to 29.3 % in 2021-22 followed by 26.7 % in 2022-23, 24.4 % in 2023-24 and 23.95 % in 2024-25, the average ratio was 27.13% during the study period. The study found deterioration in NPAs and improvement in investment which indicates increase in asset quality of UBI during the study period.
- **Management Efficiency:** UBI Bank Business per Employee Ratio is 19.37 % in 2020-21 increased to 22.52 % in 2021-22 followed by 18.55 % in 2022-23, 28.02 % in 2023-24 and 31.02 % in 2024-25, the average business per employee was 23.89 %. UBI Bank Profit per Employee Ratio is 3.72 % in 2020-21 increased to 6.96 % in 2021-22 followed by 11.16 % in 2022-23, 18.00 % in 2023-24 and 24.34 % in 2024-25, the average profit per employee was 12.83%. UBI Bank Return on Net Worth Ratio is 6.25 % in 2020-21 is increased to 8.28 % in 2021-22 followed by 12.17 % in 2022-23, 16.68 % in 2023-24 and 18.05 % in 2024-25. The study found that, average RONW ratio was 12.86 %.
- **Earning Quality Aspect:** UBI Bank Return on Assets Ratio is 0.26 % in 2020-21 is increased to 0.44 % in 2021-22 followed by 0.65 % in 2022-23, 0.98 % in

2023-24 and 1.26 % in 2024-25, the average ROA ratio was 0.71%. UBI Bank Net Interest Margin to Total Assets Ratio is 2.7 % in 2020-21 is slightly increased to 2.8 % in 2021-22 followed by 3.0 % in 2022-23, 3.0 % in 2023-24 and 2.9 % in 2024-25, the average NIM was 2.88% during the study period. UBI Bank Operating Profit to Total Asset Ratio is -0.78 % in 2020-21 is slightly increased to -0.61 % in 2021-22 followed by -0.48 % in 2022-23, -0.17 % in 2023-24 and -0.12 % in 2024-25, average ratio was -0.43% during the study period. UBI Bank Interest Income to Total Income Ratio is 82.9 % in 2020-21 is slightly increased to 84.8 % in 2021-22 followed by 85.1 % in 2022-23, 86.6 % in 2023-24 and 85.0 % in 2024-25. The average interest income to total income was 84.88 % during the study period. The study observed good improvement in ROA, NIM and interest income to total income ratio but operation profit to total assets ratio is in negative. Therefore, UBI bank has to focus on the improvement in operating profit.

- **Liquidity Aspect:** UBI Bank Current Ratio is 1.82 % in 2020-21 is slightly decreased to 1.54 % in 2021-22 followed by 1.14 % in 2022-23, 1.18 % in 2023-24 and 1.02 % in 2024-25, the average current ratio was 1.39 % during the study period. Similarly, UBI Bank Quick Ratio is 1.25 % in 2020-21 is slightly increased to 1.05 % in 2021-22 followed by 0.95 % in 2022-23, 0.86 % in 2023-24 and 0.65 % in 2024-25. The average net NPA to total assets stood at 0.95 % during the study period.

Conclusion

Evaluation of the bank performance is very challenges task in banking sector. This was simplified with CAMEL method is widely using and popular technique to measure the overall performance of an organization including banking sector. It is used to assess the function or operation wise efficiency of the bank's performance. Therefore, present study tried to measure the overall performance of the UBI for the period of five years (2021-2025) through using CAMEL technique. The study found that, UBI has strong capital adequacy during the study period in all four parameters. The assets quality of the UBI improved significantly during the study period due to decreased NPAs. The management efficiency of the UBI also increased in all four parameters. But, earning quality should focus on the improvement of operating profit. The liquidity of the bank is deteriorated during the study period it should be improved further.

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