

A STUDY ON FINANCIAL PERFORMANCE OF SBI BANK USING CAMELS FRAMEWORK

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ABSTRACT

This study uses the CAMELS framework—which stands for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity—to assess the State Bank of India's (SBI) financial performance for FY 2024. The analysis, which was based on secondary data from SBI's audited annual report, showed "Excellent" asset quality with a Net NPA of 0.57% and a "Good" capital position with a CAR of 14.28%. However, a high operating expense-to-income ratio of 55.67% resulted in a "Poor" ranking for management quality. With a ROE of 16.19% and a ROA of 0.99%, the earnings were mediocre. Sound financial management was demonstrated by the "Good" ratings for liquidity and sensitivity measures. Overall, SBI showed strength in liquidity, capital, and asset quality, but it struggled with operational efficiency. To improve overall performance, the report suggests portfolio diversification, capital strengthening, and expense reduction.

Key Words: Financial performance, Asset quality, Capital Adequacy, Earning etc.

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INTRODUCTION

The banking sector plays a critical role in sustaining the financial stability and economic development of a country, serving as the backbone of financial intermediation by channeling savings into productive investments. In India, the State Bank of India (SBI) has occupied a dominant position in the financial services industry, serving millions of customers with a broad range of banking products. As the largest public sector bank in India, SBI has operated under intense regulatory scrutiny, financial competition, and economic fluctuations. Hence, the financial performance of such a key banking institution holds considerable significance not only for its stakeholders but also for the broader financial ecosystem. Financial performance is a vital indicator of a bank's operational efficiency, profitability, solvency, and stability, which in turn affects the confidence of depositors, investors, and regulators. The CAMELS approach has emerged as a comprehensive and structured tool for evaluating the financial performance of banks, especially in regulated banking environments such as India.

CAMELS is an acronym representing six critical dimensions of bank performance—Capital adequacy, Asset quality, Management efficiency, Earnings quality, Liquidity, and Sensitivity to market risk. The Reserve Bank of India (RBI), in its supervisory mechanism, also employs variations of the CAMELS framework to assess the internal soundness of banks. In the context of SBI Bank, the application of the CAMELS framework facilitates the identification of internal

financial strengths and vulnerabilities that may not be apparent through traditional financial statement analysis. This structured evaluation model enables financial analysts and policy makers to interpret performance trends more effectively, assess regulatory compliance, and monitor long-term sustainability in financial operations.

REVIEW OF LITERATURE

1. **Al Zaidanin (2020)** found that capital adequacy and management efficiency positively influenced profitability in Jordanian banks, while non-performing loans had a negative effect.
2. **Nguyen et al. (2020)** observed that Vietnamese state-owned banks had stronger capital but lower efficiency, and liquidity was a key driver of profitability.
3. **Chaturvedi et al. (2021)** showed that CSR spending improved earnings quality and capital adequacy in Indian banks, enhancing stakeholder confidence.
4. **Sah and Pokharel (2023)** highlighted that larger Nepalese banks had better liquidity, while smaller ones had higher profitability; NPA levels varied widely.
5. **Saminathan and Madhankumar (2020)** found that Indian micro-finance institutions had high portfolio risk, strong earnings, but lower capital adequacy, suggesting a need for regulatory support.

NEED AND IMPORTANCE

This study was undertaken due to the growing importance of sound financial performance in ensuring systemic stability and public trust in India's banking sector. As a key public sector bank, SBI plays a vital role in monetary policy implementation and credit distribution, making its financial health essential to economic stability. The CAMELS framework was adopted to provide a structured assessment of SBI's performance amid rising financial complexity, regulatory changes, and technological disruption. This study offers valuable insights into SBI's capital adequacy, asset quality, management efficiency, earnings, liquidity, and risk sensitivity, helping stakeholders identify strengths and areas of concern to guide effective decision-making and strategic action.

SCOPE OF THE STUDY

The study's scope was restricted to applying the CAMELS technique to assess the State Bank of India's financial performance. For a certain study period, it concentrated on examining secondary financial data pertaining to the six CAMELS components. There was no comparative analysis with other banks; the study was limited to SBI. Analyzing profitability, asset quality, management effectiveness, capital sufficiency, liquidity, and market risk sensitivity were all covered in the scope. In order to pinpoint SBI's operational strengths and weaknesses, the study provided a multifaceted evaluation of the company's internal financial health.

OBJECTIVES OF THE STUDY

1. To analyze the financial performance of SBI Bank.
2. To determine the financial performance using CAMELS approach at SBI Bank.
3. To assess the profitability of SBI Bank.
4. To know the factors associated with financial performance of SBI Bank.
5. To give suggestions for finance managers of SBI Bank.

DATA SOURCES AND METHODOLOGY

METHODOLOGY

This study employed a descriptive research design to critically assess SBI's financial performance over the period FY 2020 to FY 2024 using the CAMELS framework. It relied entirely on secondary data sourced from SBI's annual reports, regulatory filings, and trusted financial databases. Quantitative analysis of key financial indicators enabled the identification of trends and patterns. Statistical tools such as descriptive statistics, correlation, and regression analysis were applied using MS-Excel and SPSS to ensure analytical rigor and meaningful interpretation of results.

DATA SOURCES

- Instead of using conventional primary data collection techniques like surveys or interviews, the study used main financial indicators that were taken straight from SBI's audited financial records. The CAMELS framework was used to examine important factors such as profits, market risk sensitivity, asset quality, liquidity, capital sufficiency, and management effectiveness.
- These indicators served as primary metrics for evaluating financial health, despite the data's secondary origin.
- A significant amount of secondary data from SBI's annual reports from FY 2020 to FY 2024 was used in the study.
- Peer-reviewed publications, academic papers, banking books, online databases, and SBI's official website were among the other sources that bolstered the study.

STATISTICAL TOOLS AND TECHNIQUES

- Descriptive statistics
- Frequency analysis
- Ratio analysis
- Bar and pie charts
- MS Excel

LIMITATIONS OF THE STUDY

1. The study was confined to FY 2024 data, which restricted the temporal scope and inhibited the identification of longer-term performance trends.
2. The exclusive reliance on secondary financial data from the audited annual report precluded incorporation of qualitative managerial and stakeholder perspectives.
3. The CAMELS framework focused solely on quantitative financial indicators and thereby omitted qualitative dimensions such as corporate governance and organizational culture.
4. The research did not include a comparative benchmarking analysis with peer banks, which limited contextualization of SBI's performance relative to industry standards.

DATA ANALYSIS & INTERPRETATION

Implementing CAMELS Approach

Table 1: Rating based on CAMELS System

Rating	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
Description	Excellent	Good	Medium	Poor	Very Poor

Capital Adequacy of SBI Bank

Table 2: CAR

	FY 2024
TIER I Capital (in INR Cr.)	384177.36
TIER II Capital (in INR Cr.)	75846.02
Risk Weighted Assets (in INR Cr.)	3222358.28
Capital adequacy ratio (CAR)	14.28%
Rating Based on CAMELS Approach	2

Interpretation: In FY 2024, SBI reported a Capital Adequacy Ratio (CAR) of 14.28%, with Tier I capital at INR 384,177.36 Cr and Tier II at INR 75,846.02 Cr against Risk-Weighted Assets of INR 3,222,358.28 Cr. This strong

capital position, exceeding Basel III norms, earned a CAMELS rating of 2, reflecting solid loss-absorbing capacity and regulatory compliance

Asset Quality of SBI Bank

Table 3: Asset quality

	FY 2024
Net NPA (in INR Cr.)	21051.00
Net Advances (in INR Cr.)	3703970.85
Net NPA to Net Advances	0.57%
Rating Based on CAMELS Approach	1

Interpretation: For FY 2024, SBI's Net NPA stood at INR 21,051 Cr against Net Advances of INR 3,703,970.85 Cr, yielding a Net NPA ratio of 0.57%. This excellent asset quality earned a CAMELS rating of 1, highlighting effective credit risk management, strong recovery processes, and minimal loan-loss provisioning.

Management Quality of SBI Bank

Table 4: Management quality

	FY 2024
Interest income (in INR Cr.)	159876.00
Non-interest income ((in INR Cr.)	51682.16
Total operating income (in INR Cr.)	211558.16
Total operating expenses (in INR Cr.)	117769.81
Total operating expenses/Total operating income (%)	55.67%
Rating Based on CAMELS Approach	4

Interpretation: SBI's FY 2024 operating expenses were INR 117,769.81 Cr, forming 55.67% of its INR 211,558.16 Cr operating income, earning a CAMELS rating of 4. This indicates notable operational inefficiencies and underscores the need for cost optimization and process improvements.

Earnings Ratio of SBI Bank

Table 5: Earnings

	FY 2024
Net profit (in INR Cr.)	61076.42
Total assets (in INR Cr.)	6179693.95
Shareholder's funds (in INR Cr.)	377246.53
Return on assets (ROA)	0.99%
Return on equity (ROE)	16.19%
Earnings per share (in INR)	68.44
Rating Based on CAMELS Approach	3

Interpretation: SBI's FY 2024 ROA of 0.99%, ROE of 16.19%, and EPS of INR 68.44 earned a CAMELS rating of 3, reflecting moderate profitability. While returns were satisfactory, they were tempered by cost inefficiencies and suboptimal asset utilization.

Liquidity Ratio of SBI Bank

	FY 2024
Total loans (in INR Cr.)	3703971
Total deposits (in INR Cr.)	4916077
Total loans/Total deposits	75.34%
Leverage ratio	5.67%
CASA	39.89%
Rating Based on CAMELS Approach	2

Table 6 : Liquidity

Interpretation: SBI's FY 2024 Loans-to-Deposits ratio of 75.34%, Leverage Ratio of 5.67%, and CASA ratio of 39.89% earned a CAMELS rating of 2, indicating sound liquidity management with a healthy mix of loan deployment and stable, low-cost deposit mobilization.

Sensitivity Ratio of SBI Bank

Table 7: Sensitivity

	FY 2024
Total securities (in INR Cr.)	1671340
Total assets (in INR Cr.)	6179694
Total securities/ Total assets	27.05%
Rating Based on CAMELS Approach	2

Interpretation: SBI's FY 2024 Securities-to-Assets ratio of 25 7.05% resulted in a CAMELS rating of 2, indicating moderate exposure to market risk and suggesting the bank is well-positioned to withstand interest rate fluctuations without major earnings impact.

Historical Financial Performance of SBI Bank (FY 2020 to FY 2024)

Total Shareholders' Funds at SBI

Table 8 : Shareholders' funds

Year	Amount in INR Cr.
FY 2020	280,088
FY 2021	327,608
FY 2022	327,608
FY 2023	377,247
FY 2024	377,247

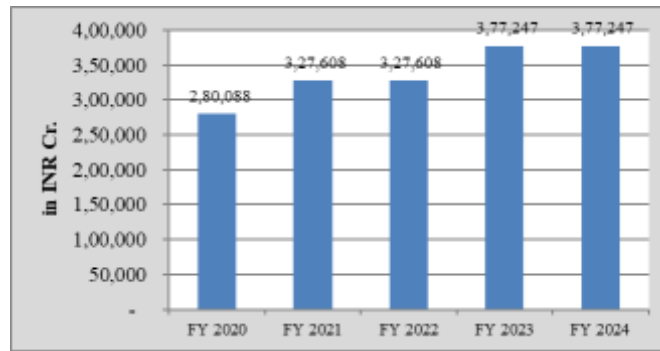


Figure 1: Shareholders' Funds+

Interpretation: SBI's shareholders' funds grew from ₹280,088 Cr in FY 2020 to ₹377,247 Cr in FY 2024, marked by notable increases in FY 2021 and FY 2023, while FY 2022 and FY 2024 remained static, indicating episodic rather than consistent capital accumulation over the five-year period.

Deposits at SBI

Table 9: Deposits

Year	Amount in INR Cr.
FY 2020	4,051,534
FY 2021	4,423,778
FY 2022	4,423,778
FY 2023	4,916,077
FY 2024	4,916,077

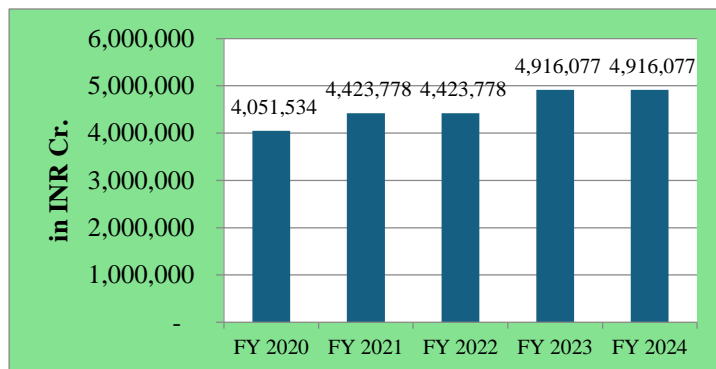


Figure 2: Deposits

Interpretation: SBI's deposits rose from ₹4,051,534 Cr in FY 2020 to ₹4,916,077 Cr in FY 2024, with strong growth in FY 2021 and FY 2023, but stagnation in FY 2022 and FY 2024, indicating episodic rather than steady deposit mobilization across the five-year span.

Borrowings at SBI

Table 10: Borrowings

Year	Amount in INR Cr.
FY 2020	426,043
FY 2021	493,135
FY 2022	493,135
FY 2023	597,561
FY 2024	597,561

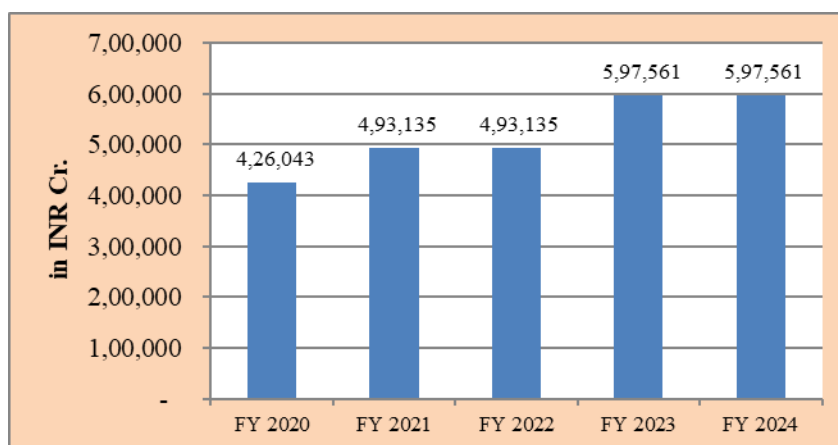


Figure 3: Borrowings

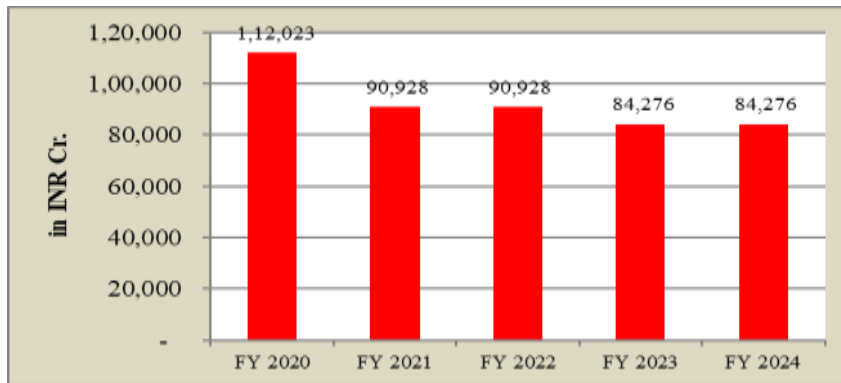
Interpretation: SBI's borrowings rose significantly from ₹426,043 Cr in FY 2020 to ₹597,561 Cr in FY 2024, with major increases in FY 2021 (15.75%) and FY 2023 (21.17%), and stability in FYs 2022 and 2024. This reflects phased and strategic liability management to support asset expansion while maintaining borrowing discipline.

Gross NPA at SBI

Table 11: Gross NPA

Year	Amount in INR Cr.
FY 2020	112,023
FY 2021	90,928
FY 2022	90,928
FY 2023	84,276
FY 2024	84,276

Figure 4: Gross NPA



Interpretation: SBI's Gross NPAs declined from ₹112,023 Cr in FY 2020 to ₹84,276 Cr in FY 2024, with major reductions in FY 2021 and FY 2023, and stability in FY 2022 and FY 2024, reflecting strong recovery efforts and containment of new NPAs during the period.

Net NPA at SBI

Table 12: Net NPA

Year	Amount in INR Cr.
FY 2020	27,966
FY 2021	21,467
FY 2022	21,467
FY 2023	21,051
FY 2024	21,051

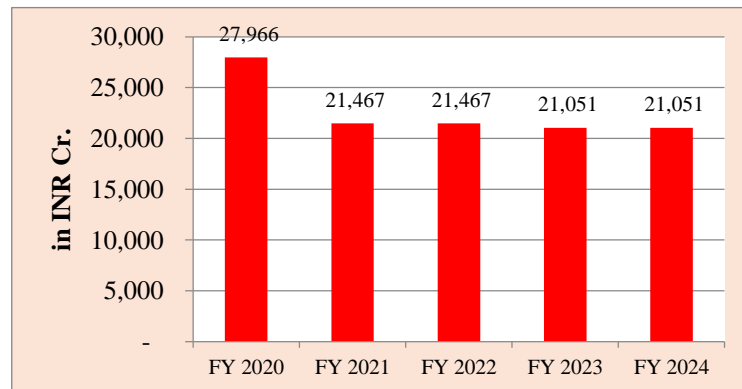


Figure 5: Net NPA

Interpretation: SBI's Net NPAs declined from ₹27,966 Cr in FY 2020 to ₹21,051 Cr in FY 2024, with significant improvement in FY 2021 and a minor reduction in FY 2023, remaining stable in FY 2022 and FY 2024, reflecting enhanced asset quality and effective provisioning.

Net Profit / Loss for the Year at SBI

Table 13: Profit (loss)

Year	Amount in INR Cr.
FY 2020	14,488
FY 2021	20,410

FY 2022	31,676
FY 2023	50,232
FY 2024	61,077

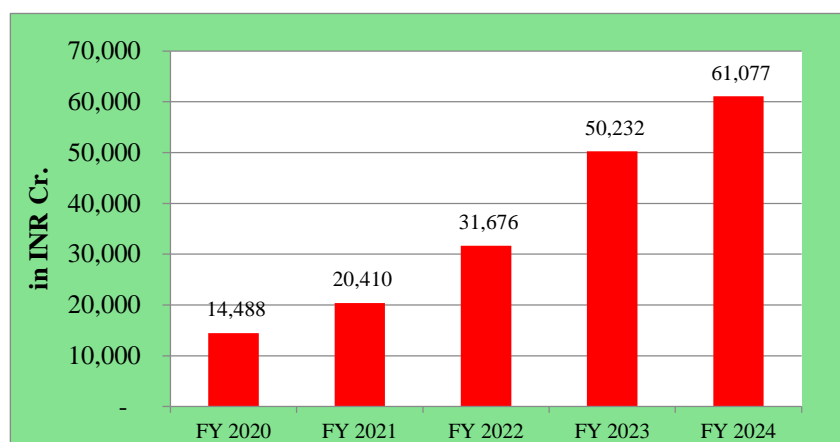


Figure 6: Profit (loss)

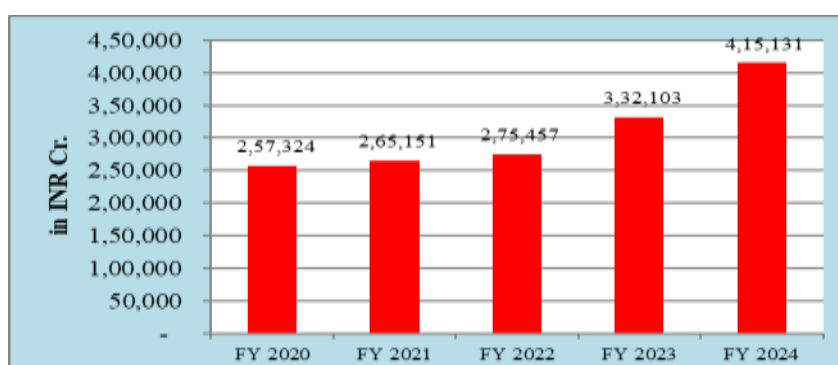
Interpretation: SBI's net profit surged from ₹14,488 Cr in FY 2020 to ₹61,077 Cr in FY 2024, showing consistent and accelerating growth driven by rising operational efficiency, improved margins, and strong cost control, with no profit decline over the five-year period.

Total Interest Earned at SBI

Table 14: Interest income

Year	Amount in INR Cr.
FY 2020	257,324
FY 2021	265,151
FY 2022	275,457
FY 2023	332,103
FY 2024	415,131

Figure 7: Interest income



Interpretation: SBI's total interest income rose steadily from ₹257,324 Cr in FY 2020 to ₹415,131 Cr in FY 2024, with sharp growth in FY 2023 and FY 2024, indicating accelerated credit expansion and improved yield on assets in the later years.

Cash and Balances with Reserve Bank of India at SBI

Table 15: Cash reserve

Year	Amount in INR Cr.
FY 2020	257,859
FY 2021	247,088
FY 2022	247,088
FY 2023	225,142
FY 2024	225,142

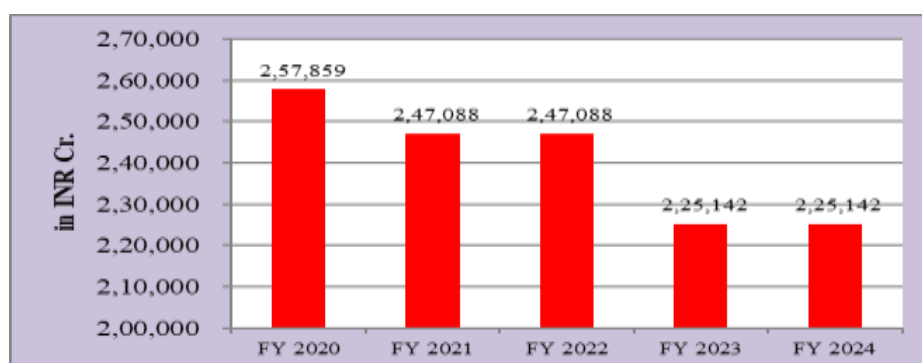


Figure 8: Cash reserve

Interpretation: SBI's cash and RBI balances declined from ₹257,859 Cr in FY 2020 to ₹225,142 Cr in FY 2024, indicating deliberate liquidity optimization and redeployment toward higher-yield assets, while maintaining regulatory thresholds.

Balances with Banks & Money at Call and Short Notice at SBI

Table 16: Liquid funds

Year	Amount in INR Cr.
FY 2020	136,693
FY 2021	60,812
FY 2022	60,812
FY 2023	85,660
FY 2024	85,660

Table 9: Liquid funds



Interpretation: SBI's balances with banks and call money dropped 55.54% in FY 2021, then partially recovered in FY 2023, reflecting strategic short-term liquidity adjustments—initial reduction followed by calibrated rebuilding to stabilize liquidity buffers.

FINDINGS

- **Capital Adequacy:** Strong, with CAR at 14.28% (Rating 2 – Good), consistent with public sector benchmarks.
- **Asset Quality:** Excellent, with Net NPA at 0.57% (Rating 1), showing strong credit risk control.
- **Management Quality:** Weak, reflected in a high cost-to-income ratio of 55.67% (Rating 4 – Poor), indicating efficiency issues.
- **Earnings:** Moderate, with ROA at 0.99% and ROE at 16.19% (Rating 3), showing stable yet not outstanding profitability.
- **Liquidity:** Good, with a loan-to-deposit ratio of 75.34%, CASA at 39.89%, and a leverage ratio of 5.67% (all Rating 2).
- **Sensitivity to Market Risk:** Good, with a securities-to-assets ratio of 27.05%

SUGGESTIONS

- Finance managers should implement branch rationalization by consolidating underperforming branches and redirecting resources toward digital banking platforms to reduce the cost-to-income ratio.
- The bank should enhance process automation in back-office operations to streamline workflows, minimize manual interventions, and curtail operating expenses.
- SBI Bank ought to pursue selective capital augmentation through internal accruals and issuance of Tier II instruments to reinforce the capital buffer and sustain a CAR above 14.5%.
- Management should strengthen early-warning systems and NPA recovery frameworks by leveraging data analytics to identify at-risk accounts and expedite corrective actions.
- The bank should diversify its loan portfolio by increasing exposure to high-yield retail and SME segments, thereby improving net interest margins.
- Fee-based income streams should be expanded through cross-selling of wealth management, insurance, and treasury products to reduce reliance on interest income.
- Deposit mobilization strategies must focus on enhancing digital onboarding experiences and incentivizing CASA balances to sustain a CASA ratio above 40%.
- Vendor contracts and third-party service agreements should be renegotiated to eliminate non-essential expenditures and optimize cost structures.
- Regular benchmarking of expense ratios and key performance indicators against peer institutions should be conducted to identify best practices and drive operational improvements.

- SBI Bank should establish a dedicated task force to continuously monitor CAMELS parameters and provide quarterly reports to the board, ensuring proactive management of financial health.

CONCLUSION

Good solvency and credit risk control were demonstrated by SBI's good capital adequacy (CAR 14.28%) and excellent asset quality (Net NPA 0.57%). However, a high cost-to-income ratio (55.67%) that indicated operational inefficiencies made management quality a major issue. The moderate earnings (ROA 0.99%, ROE 16.19%) indicate that there is potential to improve profitability. Healthy CASA (39.89%) and Loan-to-Deposit (75.34%) ratios maintained liquidity. The securities-to-assets ratio of 27.05% demonstrated effective management of sensitivity to market risk. Overall, the research showed a strong financial position with room to improve return metrics and cost effectiveness.

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