IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On Financial Performance Analysis Of Indian Overseas Bank Using Camel Model

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Abstract : This study evaluates the financial performance of Indian Overseas Bank (IOB) during the period 2020–2025 using the CAMEL model, which includes Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality, and Liquidity Position. The study relies completely on secondary data collected from IOB annual reports, RBI publications, and authentic financial portals. Various financial ratios such as Debt-Equity Ratio, Leverage Ratio, Total Investments to Total Assets Ratio, Provision Coverage Ratio, Profit per Employee, Net Profit Margin, and Liquidity Ratios were used to measure the stability, efficiency, and profitability of the bank. The findings reveal that IOB has shown improvement in capital strength, sustained a stable liquidity position, enhanced managerial efficiency, and experienced positive earnings growth throughout the five-year period. The overall analysis highlights that IOB has strengthened its financial health after exiting the PCA framework and has maintained a consistent upward performance trend.

Keywords: Financial Performance, CAMEL Model, Capital Adequacy, Asset Quality, Management Efficiency, Earnings, Liquidity, Indian Overseas Bank.

I. INTRODUCTION:

Banks play a vital role in economic development by mobilizing savings and allocating financial resources to productive sectors. In India, commercial banks operate in a dynamic regulatory environment driven by technological advancement, globalization, and economic reforms. Evaluating bank performance is essential for regulators, investors, depositors, and policymakers. Among various performance evaluation tools, the CAMEL model is recognized globally for assessing the financial health of banks using five critical indicators.

Indian Overseas Bank (IOB), founded in 1937, is one of India's oldest public sector banks with a long-standing reputation in foreign exchange and domestic banking services. The bank faced financial challenges during the previous decade and entered the Prompt Corrective Action (PCA) framework in 2020. After undergoing restructuring and performance improvement, IOB exited PCA in 2021. Therefore, analyzing its financial performance in the post-PCA period is highly relevant.

This study evaluates IOB's financial health using the CAMEL model during 2020–2025, a period marked by economic recovery, regulatory adaptation, and digital transformation in the banking industry. Moreover, the financial landscape in India has become increasingly dynamic, with public sector banks facing intense competition from private and digital-first institutions. In this environment, evaluating the long-term stability and operational efficiency of banks like IOB becomes even more essential. A structured model such as CAMEL therefore helps capture the bank's overall financial resilience and its ability to adapt to evolving economic and regulatory challenge.

II. OBJECTIVES OF THE STUDY:

- To assess the capital adequacy of Indian Overseas bank.
- To analyze the asset quality of IOB by examining non - performing assets and credit risk.

III. REVIEW OF LITERATURE:

Several researchers have used the CAMEL framework to evaluate bank performance are,

- **Gupta & Kaur (2019)** Their study compared the financial strength of selected public sector banks using the CAMEL model. They concluded that capital adequacy and asset quality are the most influential indicators of financial stability, especially for banks recovering from stressed asset positions.

- **Reddy & Prasad (2020**) The authors examined the performance of Indian banks during the post-demonetization period. Their CAMEL-based analysis highlighted that improved provisioning and better credit appraisal practices significantly enhanced asset quality and profitability.

- **Singh & Arora (2021)** This study evaluated management efficiency in public sector banks and found that technological adoption, staff productivity, and digital service expansion played a crucial role in improving operational efficiency and customer satisfaction.

- **Mehta & Khanna (2018)** Their comparative study on private and public banks revealed that liquidity and earnings quality showed major variations between the two categories. They emphasized that consistent liquidity management supports long-term financial resilience.

IV. RESEARCH METHODOLOGY:

The study uses an analytical research design.
Data is entirely secondary and collected from,
– IOB Annual Reports (2021–2025).
– RBI Publications.
– Financial portals like Money control and Investing.com.

4.1 PERIOD OF STUDY:

2020–21 to 2024–25 (5 years)

4.2 TOOLS USED FOR ANALYSIS:

- **Capital Adequacy:** Debt–Equity Ratio, Leverage Ratio.
- **Asset Quality:** Total Investment to Total Assets Ratio, Provision Coverage Ratio.
- **Management Efficiency:** Profit per Employee.
- **Earnings Quality:** Net Profit Margin.
- **Liquidity:** Liquid Assets to Total Assets Ratio, Government Securities to Total Assets Ratio.

V. DATA ANALYSIS & INTERPRETATION:

5.1 CAPITAL ADEQUACY:

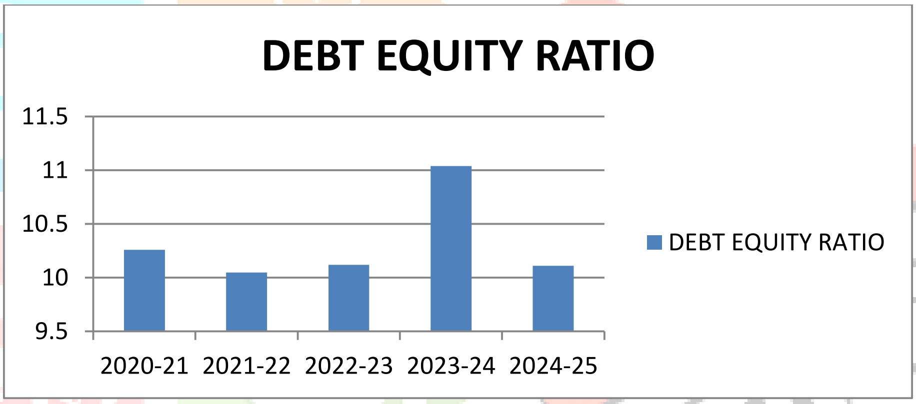
5.1.1 Debt Equity Ratio

Debt-Equity Ratio shows how much debt a company uses compared to its own funds (equity). It helps to understand whether the business is mainly financed by borrowed money or the owners' investment

Table 1: Debt–Equity Ratio of IOB

Year	Total Debt	Shareholder's Equity	Debt Equity Ratio
2020 - 21	2,65,562	25,883	10.26
2021 - 22	2,87,065	28,540	10.05
2022 - 23	2,88,907	28,542	10.12
2023 - 24	3,12,359	28,299	11.04
2024 - 25	3,29,015	32,540	10.11

Chart 1: Debt–Equity Ratio of IOB



Interpretation:

The Debt–Equity Ratio of IOB remained high throughout the period, ranging between 10.05 and 11.04, indicating a strong reliance on debt, mainly customer deposits. The slight dip in 2021–22 suggests temporary strengthening of the capital base, while the rise in 2023–24 reflects faster growth in borrowings than equity. Overall, the ratio stayed stable, showing consistent funding patterns and the bank's ability to manage its capital structure effectively.

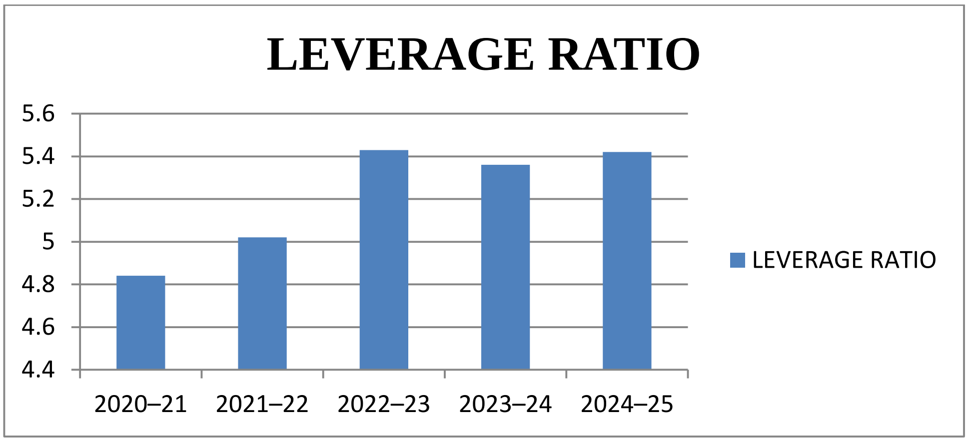
5.1.2 Leverage Ratio

Leverage Ratio measures how much a company depends on borrowed funds to run its operations. It shows the level of financial risk by comparing debt with the company's assets, equity, or earning.

Table 2: Leverage Ratio of IOB

Year	Tier I Capital	Exposure Measure	Leverage Ratio
2020 - 21	17,003	3,51,027	4.84
2021 - 22	17,559	3,49,755	5.02
2022 - 23	19,009	3,49,879	5.43
2023 - 24	19,368	3,61,200	5.36
2024 - 25	20,482	3,78,000	5.42

.Chart 2: Leverage Ratio of IOB



Interpretation:

The leverage ratio of IOB improved from 5.02% in 2021–22 to 5.43% in 2022–23, indicating stronger core capital relative to total exposure. The slight dip to 5.36% in 2023–24 shows that asset growth briefly outpaced Tier-1 capital, but the ratio stabilized at 5.42% in 2024–25. Overall, the bank consistently maintained a healthy capital buffer well above the Basel III minimum requirement of 3%.

5.2 ASSET QUALITY:

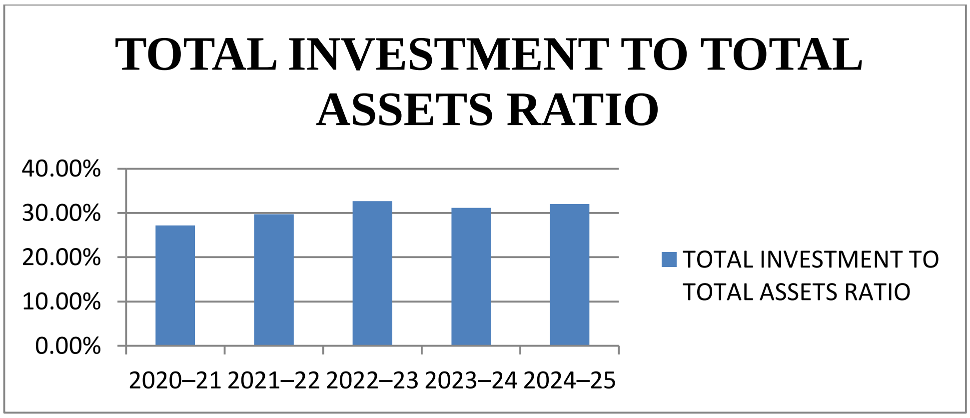
5.2.1 Total Investment to Total Assets Ratio

It shows how much of the bank's total money is kept in investments instead of loans. A higher ratio means the bank is investing more of its funds in safe places.

Table 3: Total Investment to Total Assets Ratio of IOB

Year	Total Investment	Total Assets	Total Investment to Total Assets Ratio
2020 - 21	95,494	3,51,027	27.19%
2021 - 22	1,04,073	3,49,755	29.74%
2022 - 23	1,14,267	3,49,879	32.66%
2023 - 24	1,12,684	3,61,200	31.19%
2024 - 25	1,21,097	3,78,000	32.04%

.Chart 3: Total Investment to Total Assets Ratio of IOB



Interpretation:

The Total Investments to Total Assets Ratio increased from 27.19% in 2020 – 21 to 32.04% in 2024 – 25, showing that the bank allocated a larger portion of its assets to safe investments such as government securities. The peak in 2022 – 23 indicates a cautious approach with higher investment activity, while the slight dip in 2023–24 suggests a temporary shift toward lending. Overall, the consistently high ratio reflects strong liquidity and a conservative, low-risk asset strategy.

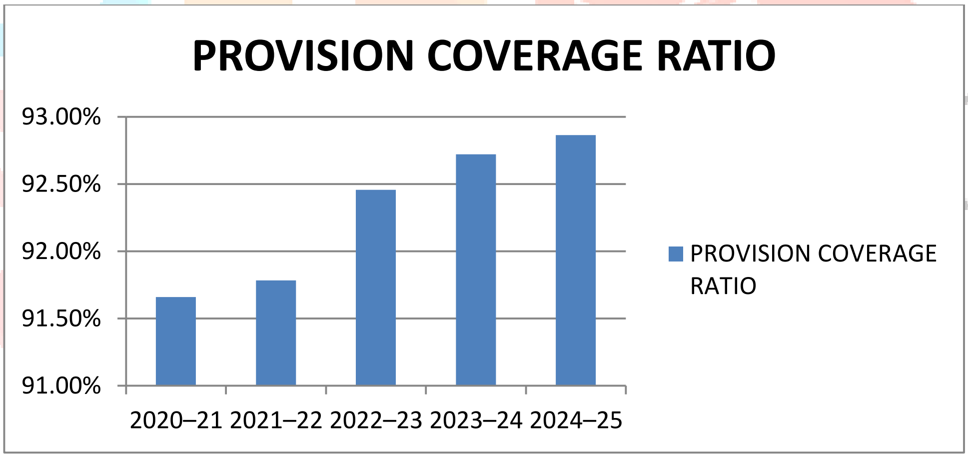
5.2.2 Provision Coverage Ratio

Provision Coverage Ratio shows how much of the bank's bad loans (NPAs) are already covered by the money the bank has kept aside as provisions. A higher PCR means the bank is safer and better prepared to handle loan losses.

Table 4: Provision Coverage Ratio of IOB

Year	Total Investment	Total Assets	Total Investment to Total Assets Ratio
2020 - 21	20,872	22,771	91.66%
2021 - 22	20,535	22,373	91.78%
2022 - 23	20,544	22,220	92.46%
2023 - 24	20,308	21,902	92.72%
2024 - 25	20,520	22,097	92.86%

Chart 4: Provision Coverage Ratio of IOB



Interpretation:

The Provision Coverage Ratio remained very high throughout the period, staying above 91% and gradually increasing to 92.86% in 2024–25. This shows that the bank has kept strong provisions to cover most of its bad loans, reflecting a safe and conservative risk-management approach. The steady improvement also indicates the bank's ability to absorb credit losses without affecting its financial stability.

VI. FINDINGS:

- The CAMEL analysis clearly shows that Indian Overseas Bank (IOB) improved its performance steadily during 2021 –2025.
- The Debt–Equity Ratio remained high but stable, showing that the bank relied mainly on deposits while maintaining a consistent capital structure.
- The Total Investments to Total Assets Ratio recorded a rising trend, reflecting stronger liquidity management and a conservative investment approach.

- Provision Coverage Ratio remained above 90% throughout the period, indicating effective credit-risk control and improved NPA management.
- Management efficiency improved, supported by a continuous rise in profit per employee, showing better productivity and resource utilization.
- Earnings also strengthened, as seen from the consistent increase in net profit margin. Overall, the bank demonstrated financial stability, improved risk management, and stable growth during the study period.

VII. SUGGESTIONS:

- IOB should continue strengthening its capital base by increasing Tier-I capital through retained earnings and selective capital infusion to support future asset expansion.
- The bank can further improve asset quality by enhancing its credit monitoring systems, adopting analytics-based early warning mechanisms, and tightening loan appraisal procedures.
- To improve efficiency, the bank should continue expanding digital banking services and automation to reduce operational costs. IOB can diversify its loan portfolio by focusing more on low-risk, high-quality retail and MSME segments
- Regular staff training, skill development, and performance-based incentives will help sustain managerial efficiency.
- The bank should also maintain a strong liquidity buffer by investing more in government securities and high-quality liquid assets to handle unexpected market fluctuations**.** .

VIII. CONCLUSION:

The study concludes that Indian Overseas Bank has shown consistent and positive financial performance across all five components of the CAMEL model during 2020–2025. The bank has strengthened its capital position, improved its asset quality, enhanced operational efficiency, and achieved steady growth in profitability. High provision coverage and rising investment ratios reflect strong financial discipline and effective risk management. The performance improvement indicates that IOB has successfully recovered after exiting the PCA framework and is moving toward a more stable and sustainable growth path. Overall, the CAMEL analysis confirms that IOB is financially resilient and well-positioned to meet future challenges in the banking sector.

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