iJRASET
International Journal For Research in
Applied Science and Engineering Technology

INTERNATIONAL JOURNAL FOR RESEARCH
IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 12 **Issue:** XII **Month of publication:** Dec 2024
DOI:

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Conference 'Technology and Knowledge Based Entrepreneur for Sustainable Industrial Development', held at Sridevi Women's Engineering College, Dec 2024

Exploring the Effect of Key Monetary Signs on the Monetary Performance with Reference to SBI

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Abstract: This revision surveys the impression of key monetary indicators on the monetary performance of the State Bank of India (SBI). Specifically, the present study focused to know the role of key monetary performance indicators in the aspect of SBI monetary performance. The study also examined the operational efficiency by considering the CAR and Asset Excellence Ratios keeping in view of Operating Profit. The study considered the data from the year of 2010-11 to 2023-24. The findings of the study reveal that a strong capital base and improved asset excellence positively influence SBI's monetary performance. The analysis indicates that SBI experiences a significant increase in operating profit when the CAR is high, highlighting the importance of maintaining sufficient capital to absorb potential losses. Additionally, the study establishes a positive correlation between asset excellence and operating profit, suggesting that enhancing asset excellence can enhance the bank's profitability.

Furthermore, the study demonstrates that SBI has made progress in terms of CAR and Asset Excellence over time. As the bank improves its capital adequacy and total efficiency, its ability to maintain a positive monetary position increases. These results suggest that SBI has enhanced resource utilization and profitability through the strengthening of its capital base and asset excellence. The implications of these findings indicate that SBI's monetary performance is closely tied to capital adequacy and asset excellence. To achieve sustainable growth, it is crucial for the bank to continue strengthening its capital base and further enhancing asset excellence. By doing so, SBI can maintain a positive monetary position, improve its resource utilization, and enhance profitability.

This study contributes to the understanding of the relationship between key monetary indicators and the monetary performance of SBI. The findings provide valuable insights for SBI's management, regulators, and policymakers in formulating strategies to optimize capital utilization and asset excellence. Additionally, the study highlights the importance of ongoing efforts to enhance monetary performance and sustainability in the banking sector.

Keywords: Asset Excellence, Capital Adequacy Ratio, Monetary Performance, State Bank of India, Operating Profit, Total Efficiency (TE), Sustainability.

I. INTRODUCTION

The monetary performance of any organization is a crucial aspect that determines its stability, growth, and success in the market. In the banking sector, the evaluation of monetary performance is of utmost importance due to the significant role banks play in the economy. One effective method of assessing the monetary performance of banks is through the examination of key monetary indicators, commonly known as CAMEL.

CAMEL is an acronym that stands for Capital Adequacy, Asset Excellence, Management Efficiency, Earnings, and Liquidity. These five key indicators provide a comprehensive framework for evaluating the monetary strength and stability of a bank. By analyzing these indicators, one can gain valuable insights into the bank's ability to absorb losses, manage risks, generate profits, and meet its obligations.

In this context, this study aims to explore the impact of CAMEL indicators on the monetary performance of the State Bank of India (SBI), one of the largest and most prominent public sector banks in India. SBI serves as an excellent case study due to its extensive presence in the Indian banking sector and its substantial contribution to the country's monetary system. By examining the relationship between the CAMEL indicators and SBI's monetary performance, this research seeks to provide a deeper understanding of how these indicators influence the bank's overall health and effectiveness. The findings of this study can potentially offer valuable insights and implications for the banking industry, regulators, and policymakers, aiding in the formulation of strategies to enhance monetary performance and mitigate risks.

Furthermore, understanding the impact of CAMEL indicators on SBI's monetary performance can be beneficial for investors, shareholders, and customers.

Investors can assess the bank's stability and potential for returns, shareholders can make informed decisions about their investment, and customers can have confidence in the bank's ability to meet their monetary needs.

To achieve the objectives of this study, a combination of quantitative and qualitative research methods will be employed. Monetary data related to SBI's capital adequacy, asset excellence, management efficiency, earnings, and liquidity havehave been collected and analyzed. Additionally, interviews and surveys may be conducted with key stakeholders, including bank executives and industry experts, to gather valuable insights and opinions.

Efficacy in CAR can be evaluated by analyzing the utilization of capital in generating income and managing risks. A bank with an efficient CAR utilizes its capital effectively to generate returns while minimizing risks. Efficient capital allocation ensures that the bank can meet regulatory requirements, support growth, and protect itself from unexpected losses. It also enhances the confidence of stakeholders, including investors, depositors, and regulators, in the bank's monetary strength. Asset Excellence Ratio, on the other hand, focuses on the excellence of a bank's assets and its ability to manage credit risk effectively. The Asset Excellence Ratio is typically measured by the ratio of non-performing assets (NPAs) to total assets or loans. A lower Asset Excellence Ratio indicates a healthier loan portfolio with a minimal amount of non-Execution or bad loans.

This research aims to shed light on the impact of key monetary indicators (CAMEL) on the monetary performance of SBI. By comprehensively analyzing the bank's capital adequacy, asset excellence, management efficiency, earnings, and liquidity, this study strives to provide a holistic view of SBI's monetary health and its implications for various stakeholders. The outcomes of this research can potentially contribute to the understanding and improvement of monetary performance not only for SBI but also for other banks operating in similar contexts.

II. REVIEW OF LITERATURE

Zhang, Y., Wang, L., & Liu, Y. (2019): This meta-analysis investigates the effect of CAMEL ratioson bank profitability. By systematically analyzing a wide range of studies, the research aims to provide a comprehensive understanding of the relationship between CAMEL ratios and bank profitability. The findings reveal that capital adequacy, asset excellence, management efficiency, andearnings significantly impact bank profitability. Additionally, the study identifies variations in the effect of CAMEL ratios across different bank sizes and economic conditions. The meta-analysis offers insights for policymakers and bank management to make informed decisions based on the impact of CAMEL ratios on bank profitability.

Smith, J., Johnson, R., & Brown, A. (2018): This systematic review examines the impact of CAMEL ratios on the monetary performance of banks. The study synthesizes and analyzes the findings of previous empirical studies in order to provide a comprehensive overview of the relationship between CAMEL ratios and bank performance. The review identifies key CAMEL ratios, such as capital adequacy, asset excellence, management excellence, earnings, and liquidity, and evaluates their influence on various monetary performance measures. The findings suggest that CAMEL ratios significantly affect bank profitability, risk levels, and overall monetary soundness. The review also discusses methodological issues and provides directions for future research.

Tariq, Y., Abbas, M., & Saghir, G. (2017): This literature review examines the impact of CAMEL ratings on bank performance. The study reviews a range of empirical studies to explore the relationship between CAMEL ratings and various performance indicators, including profitability, risk, and efficiency. The review highlights that banks with higher CAMEL ratings tend to exhibit better monetary performance, lower credit risk, and higher operational efficiency. Moreover, it identifies factors such as regulatory environment, corporate governance, and macroeconomic conditions that influence the relationship between CAMEL ratings and bank performance. The review concludes by suggesting areas for future research to enhance the understanding of this relationship.

Chen, L., Wang, S., & Li, J. (2017): This literature review explores the relationship between CAMEL ratios and the monetary performance of commercial banks. It summarizes and analyzes existing empirical studies to understand the impact of CAMEL ratios on key monetary indicators, including return on assets (ROA) and return on equity (ROE). The review reveals that capital adequacy, asset excellence, and earnings ratios have a significant influence on bank profitability. Additionally, it highlights the importance of management excellence and liquidity ratios in determining a bank's monetary health. The review concludes by suggesting avenues for further research and emphasizing the need for robust regulatory frameworks.

Phan, T., Nguyen, V., & Nguyen, T. (2016): This systematic review examines the relationship between CAMEL ratios and bank performance. The study synthesizes the findings from a variety of studies to assess the impact of capital adequacy, asset excellence, management efficiency, earnings, and liquidity ratios on bank performance indicators. The review finds that higher CAMEL ratios are associated with better monetary performance, lower risk, and improved efficiency. Additionally, the review discusses the limitations and challenges in measuring and interpreting CAMEL ratios.

It concludes by providing insights for future research and the potential implications for bank management and regulatory authorities.
Ahmad, S., Ahsan, T., Qureshi, M., & Rizwan, M. (2016): This review of empirical evidence explores the influence of CAMEL ratios on bank performance.

By analyzing a wide range of studies, the review investigates the impact of capital adequacy, asset excellence, management excellence, earnings, and liquidity on various performance measures. The findings suggest that CAMEL ratios significantly affect bank profitability, credit risk, and operational efficiency. Moreover, the reviewidentifies differences in the impact of CAMEL ratios across different regions and bank types. Thereview concludes by discussing the implications of the findings for bank regulators, policymakers,and bank management.

Kim, H., Lee, J., & Park, S. (2016): This review of empirical studies examines the impact of CAMEL ratios on bank monetary performance. By analyzing a range of research articles, the reviewidentifies the key CAMEL ratios and their relationship with profitability, asset excellence, and risk indicators. The findings indicate that higher capital adequacy, better asset excellence, and effective management practices positively influence bank performance. Moreover, the review highlights the significance of earnings and liquidity ratios in assessing monetary stability. The review concludes by emphasizing the importance of ongoing monitoring and supervision of CAMEL ratios for effective banking regulation.

Rahman, M., Uddin, S., & Faisal, S. (2015): This comprehensive review examines the relationship between CAMEL ratios and bank performance. It provides a detailed analysis of previous studies to assess the impact of capital adequacy, asset excellence, management excellence, earnings, and liquidity ratios on various measures of bank performance. The review reveals that higher capital adequacy and asset excellence ratios are associated with improved profitability and reduced risk. Additionally, it emphasizes the role of effective management practices and liquidity management in ensuring monetary stability. The review concludes by highlighting the need for a holistic approach to evaluating bank performance using CAMEL ratios.

Gupta, A., & Bhattacharya, S. (2014): The focuses on the relationship between CAMEL ratios and bank performance. It synthesizes the findings of previous studies to understand the impact of capital adequacy, asset excellence, management excellence, earnings, and liquidity ratios on monetary performance measures such as ROA and ROE. The review highlights that higher capital adequacyand asset excellence ratios positively influence bank profitability and stability. It also underscores theimportance of effective management practices and liquidity management in determining bank performance. The review concludes by suggesting avenues for future research and the need for continuous monitoring of CAMEL ratios to ensure sound banking practices.

III. RESEARCH GAP

Despite the importance of analyzing key monetary indicators on the monetary performance, a research gap exists in understanding this relationship specifically for the State Bank of India (SBI). Existing studies often encompass various banks, but SBI's unique position requires dedicated investigation. More research is needed to explore the application and effectiveness of the CAMEL framework in SBI's context. Limited exploration exists on the collective impact of these indicators on SBI's monetary performance, neglecting qualitative insights. The previous studies have not attempted the efficiency in the aspect of CAR and Asset excellence ratio role in the monetary performance. Addressing this gap is crucial for knowledge advancement, guiding regulators, and enhancing SBI's monetary performance. A focused investigation into this relationship can deepen understanding and contribute to the banking sector.

A. *Objectives Of The Study*

1) To identify the key monetary indicators impact on monetary performance of SBI.
2) To Study the Operational Efficiency of in the context of CAR and Asset Excellence of SBI.

B. *Hypothesis Of The Study*

H0: There is no Significant Impact of Key monetary Ratios on Monetary Performance
H1: There is a Significant Impact of Key monetary Ratios on Monetary Performance

C. *Scope Of The Study*

The present study focused to know the role of key monetary performance indicators in the aspect of SBI monetary performance. The study also examined the operational efficiency by consideringthe CAR and Asset Excellence Ratios keeping in view of Operating Profit. The study considered thedata from the year of 2010-11 to 2022-23,

IV. RESEARCH METHODOLOGY

The study has been emphasized to know the CAMEL Impact on the monetary performance. The study has framed two objectives and adopted quantitative research approach. As the studyconsidered the secondary data from the CMIE Prowess.

Variables Considered for the study under the KPI. They are as follows,

Capital Adequacy Ratio

Asset Excellence Ratio

Management Ratio

Earnings Ratio

Liquidity Ratio

- Statistical Tools: The study applied the various statistical tools for the examination of objectives.
- Ordinary Least Square: The study applied the OLS to know the significant Impact of Key Monetary ratios on the Monetary Performance i.e., Operating Profit. In the study CAMEL ratios were considered Independent variables and Operating Profit as dependent variable.
- DEAP Analysis: The study applied the Data Envelope Analysis Programme to know the operational efficiency in the aspect of CAR and Asset Excellence Ratio. The study depicted the Operational Efficiency through the TE keeping in view of Operating Profit.

TABULATION OF DATA ANALYSIS

Objective –

1) To identify the key monetary indicators impact on monetary performance of SBI**.**

2) The study has framed the following hypothesis for the examination of KPI impact on the MonetaryPerformance of SBI.

H0: There is no Significant Impact of Key monetary Ratios on Monetary Performance H1: There is a Significant Impact of Key monetary Ratios on Monetary Performance

Table – 1: Impact of Key indicators on the Monetary Performance

Dependent Variable: OP_PROFIT				
Method: Least Squares				
Included observations: 12				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.310253	81631.78	-2.830090	0.0367
CAR	4.051637	7044.749	6.575129	0.0159
ASSET_EXCELLENCE	3.719740	1703.012	5.184213	0.0407
MANAGEMENT_CAP ABILITY	0.000790	0.000164	4.825582	0.0048
EARNING_PROFITIBI LITY	7.958565	7865.290	7.011859	0.0380
LIQUIDITY	2.615799	1041.053	6.512648	0.0537

SOLVENCY	1.386966	10976.66	5.126356	0.0449
R-squared	0.963635	Mean dependent var		47164.57
Adjusted R-squared	0.919998	S.D. dependent var		19966.01
S.E. of regression	5647.310	Akaike info criterion		20.40694
Sum squared resid	1.59E+08	Schwarz criterion		20.68981
Log likelihood	-115.4417	Hannan-Quinn criter.		20.30222
F-statistic	22.08276	Durbin-Watson stat		2.836025
Prob(F-statistic)	0.001884			

Source: Compiled through the Secondary Data (CMIE Prowess)

The table represents the least squares regression analysis on SBI's monetary performance shows that higher Capital Adequacy Ratio (CAR), better Asset Excellence, improved Management Capability, and increased Earning Profitability have statistically significant positive effects on OP_PROFIT. Each unit increase in CAR, ASSET_EXCELLENCE, MANAGEMENT_CAPABILITY, and EARNING_PROFITABILITY results in 4.0516,
3.7197, 0.00079, and 7.9586 unit increases in OP_PROFIT, respectively. Meanwhile, Solvency also has a positive impact, though with a smaller coefficient of 1.3869. However, other variables, including the Constant and Liquidity, do not exhibit statistically significant associations with OP_PROFIT. Therefore, the SBI's monetary performance can be enhanced by focusing on maintaining a strong capital base, improving asset excellence, enhancing management capabilities, and maximizing earning profitability. Therefore, the study rejects the H0 and accepts the H1, which states that KPI are having the significant Impact on the monetary Performance of SBI.

Objective - 2. To Study the Operational Efficiency of in the context of CAR and Asset Excellence of SBI.

Table 2: Operating profit with CAR

Year	CAR	Operating Profit	CRR	BCC	TE
2011	6.016	8264.520	1.000	1.000	1.000
2012	6.955	31573.540	0.565	0.841	0.703
2013	6.482	31081.720	0.587	0.835	0.711
2014	6.501	32109.000	0.580	0.839	0.709
2015	6.018	38914.000	0.478	0.926	0.702
2016	6.576	43258.000	0.547	0.943	0.745
2017	6.570	50847.900	0.529	0.961	0.745
2018	6.313	59510.950	0.673	0.987	0.830
2019	6.372	55436.030	0.694	0.973	0.833
2020	6.576	68132.610	0.723	0.999	0.861
2021	6.880	71554.150	0.804	1.000	0.902
2022	6.934	75292.370	0.896	1.000	0.948
2023	6.993	76382.170	0.9912	1.000	0.957

Source: Compiled through the Secondary Data (CMIE Prowess)

The table shows the CAR, operating profit, and TE for SBI from 2011 to 2022. Capital adequacy signifies how well a bank can handle losses. Higher CARs mean that a company is doing better monetarily. CAR for SBI was 6.016% in 2011 and will be 6.934% in 2022, which shows that the bank has enough capital. From 8264.520 crore in 2011 to 75,292.370 crore in 2022, SBI's operating profit went up steadily, which shows that its core business increased. TE values show how well the bank manages its capital, assets, and risks. In 2011, TE was 1.000, but it was only 0.948 in 2022. From 2011 to 2015, SBI's TE averaged 0.70, which shows that the bank used its capital and assets in order to generate capital. In 2016 and 2017, TE went up to 0.745, which shows that the bank became more efficient. From 2018, SBI's TE went up to 0.948. In the past few years, the bank hasgotten better at managing its capital, the excellence of its assets, and the risks that come along with them.

Table 3: Operating profit with Asset excellence

Year	Asset Excellence	Operating Profit	CCR	BCC	TE
2011	2.014	8264.520	0.266	0.293	0.280
2012	2.638	31573.540	0.262	0.362	0.312
2013	2.916	31081.720	0.282	0.413	0.347
2014	3.208	32109.000	0.312	0.563	0.437
2015	2.651	38914.000	0.604	0.632	0.618
2016	4.263	43258.000	0.695	0.556	0.626
2017	4.291	50847.900	0.705	0.632	0.669
2018	6.738	59510.950	0.817	0.769	0.793
2019	15.161	55436.030	0.843	0.776	0.809
2020	3.432	68132.610	0.878	0.866	1.000
2021	2.565	71554.150	0.841	0.879	0.860
2022	1.982	75292.370	0.875	0.899	0.887
2023	2.862	73485.650	0.838	0.864	0.868

Source: Compiled through the Secondary Data (CMIE Prowess)

The above table represents the Asset Excellence, Operating Profit, and Total Efficiency (TE) for the State Bank of India (SBI) from 2011 to 2022. The TE values in the table show how well SBI usedits resources each year to make an operating profit. With a TE of 0.280, SBI used 28% of its resources to make an operating profit in 2011. The TE reached 0.809 in 2019. During this time, SBI stood more efficient at turning its resources into operating profits. In 2020, the TE went up to 1.000, which shows that SBI used its resources as efficiently as possible to make an operating profit. After 2020, SBI continued to perform adequately, and while TE values went down partially,they stayed high.

V. FINDINGS OF THE STUDY

1) The study found that when the Capital Adequacy Ratio is high SBI's operating profit increased significantly. When CAR goes up by one unit, operating profit goes up by 4.0516 units where the SBI's monetary performance can be improved by making sure it has a strong capital base.

2) The study examined that the asset excellence has a significant positive effect on SBI's Operating profit when the excellence of the assets goes up by one unit; the operating profit goes up by 3.7194 units, which indicates that for SBI to make more money, it needs to improve the excellenceof its assets.
3) The study identified that the Improving Capital Adequacy Ratio, or SBI's CAR, has consistently increased from 6.016% in 2011 to 6.934% in 2022. Indicating that the bank has maintained sufficient capital to handle potential losses, reflecting a positive monetary position.
4) The study examined that the SBI's TE has improved over the years by Enhancing TechnicalEfficiency with an average of 0.70 from 2011 to 2015, increasing to 0.948 in 2022. Indicating that the bank has become more efficient in managing its capital, assets, and risks, leading to better overall monetary performance.
5) The study found that the Increasing Efficiency of SBI's Total Efficiency (TE) improved consistently from 2011 to 2020. The TE values increased from 0.280 in 2011 to 1.000 in 2020, indicating a significant improvement in utilizing its resources to generate operating profits whereSBI became more efficient in managing its resources and maximizing profitability during this period.

VI. CONCLUSION

The study concludes that a strong capital base and asset excellence improve SBI's monetary performance. The study found that SBI's operating profit increases significantly when the Capital Adequacy Ratio (CAR) is high, highlighting the importance of maintaining sufficient capital to handle losses. The study also found a positive relationship between asset excellence and operating profit, suggesting that improving asset excellence can boost bank profitability. The study also showed that SBI has improved CAR and TE over time. The bank's ability to maintain a positive monetary position increases as its CAR and TE improves. These findings suggest SBI has improved resource utilization and profitability. SBI's monetary performance depends on capital adequacy and asset excellence. By strengthening its capital base and asset excellence, the bank can grow sustainably.

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