

# Asset Liability Management of Export-Import Bank of India Using Camel Model

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## Abstract

The study analyses asset liability management of EXIM Bank of India using CAMEL Model. Secondary data were collected from annual reports of the bank. The asset liability management of the bank is good in terms of capital adequacy, asset quality, management efficiency, earnings ability, liquidity, credit risk management and export financial performance.

**Keywords:** Asset Liability Management, EXIM Bank of India, CAMEL Model

## 1.1 INTRODUCTION

Export-Import Bank of India (EXIM Bank) was set up in 1982 by an Act of Parliament for the purpose of financing, facilitating and promoting India's foreign trade. It is the principal financial institution in the country for coordinating the working of institutions engaged in financing exports and imports. Exim Bank is fully owned by the Government of India.

The Bank provides financial assistance to export-oriented Indian companies by way of term loans in Indian rupees or foreign currencies for setting up new production facilities, expansion/modernization or upgradation of existing facilities and for acquisition of production equipment or technology. The Bank lays special emphasis on extension of Lines of Credit (LOCs) to overseas entities, national governments, regional financial institutions and commercial banks. The Bank also extends Buyers' credit and Suppliers' credit to finance and promote country's exports.

To promote hi-tech exports from India, the Bank has a lending programme to finance research and development (R&D) activities of export-oriented companies. The Bank has put in place an Export Marketing Services (EMS) Programme to assist Indian companies in

identification of prospective business partners, facilitating placement of final orders and also identification of opportunities for setting up plants or projects or for acquisition of companies overseas.

Exim Bank supplements its financing programmes with a wide range of value-added information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness, thereby helping them in their globalization efforts.

## 1.2 STATEMENT OF THE PROBLEM

Asset and liability management is a new technique to build a framework for banking activities to perform better and to take best decisions. Asset and liabilities management become essential tools to evaluate the risk faced by the bank in maintaining asset and liability to ensure profitability of the business. Assessing the quality of assets in banking sector play a vital role in progress and development of performance of banking sectors, which may make a study of ALM is essential and significant.

## 1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

1. To analyze the asset liability management of the bank using CAMEL Model
2. To study the lending performance of the bank
3. To study the non-lending performance of the bank.
4. To offer suggestions based on the findings of the study.

#### 1.4 SCOPE OF THE STUDY

This study covers asset liability management, lending and non-lending performance of the EXIM bank of India. It does not cover Export-Import Banks in other countries and banks that provide loans for Export and Import of goods and services.

#### 1.5 PERIOD OF THE STUDY

This study covers a period of five years from 2016-17 to 2020-21.

#### 1.6 OPERATIONAL DEFINITION

- a) Bank - In this study, bank refers to the EXIM Bank of India.
- b) Asset Liability Management  
It is the process of managing the use of assets and cash flows to reduce the firm's risk of loss from not paying a liability on time. Well-managed assets and liabilities increase business profits.
- c) CAMEL Model  
It refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity.
- d) Ratio Analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement.

#### e) NPA

It refers to a classification for loans or advances that are in default or in arrears. A loan is in arrears when principal or interest payments are late or missed.

#### 1.7 DATA COLLECTION

This study is mainly based on the secondary data. Secondary data were collected from the annual reports of the EXIM bank of India, reports on general foreign trade, Ph.D. thesis, published and unpublished records, different journals and websites.

#### 1.8 DATA ANALYSIS

CAMELS Model is used for measuring the financial performance of the bank. CAMEL is a basically, a ratio-based model to evaluate the performance of a bank. The CAMELS ratings are a supervisory rating system originally developed in the U.S. The CAMEL stands for various criteria through which bank performance is measured.

C – CAPITAL ADEQUACY RATIO  
A – ASSET QUALITY  
M – MANAGEMENT EFFICIENCY  
E – EARNINGS  
L – LIQUIDITY RATIO

#### CAMEL RATING FACTORS AND PARAMETERS

Rating factors	Parameters
C - Capital adequacy	<ul style="list-style-type: none"> <li>• Capital adequacy Ratio</li> <li>• Government securities to total investments</li> <li>• Common equity ratio</li> <li>• TIER-I Ratio</li> <li>• TIER-II Ratio</li> </ul>

A – Asset quality	<ul style="list-style-type: none"> <li>• Total Investment to total asset ratio</li> <li>• Fixed Asset to total asset ratio</li> <li>• Total loan to total asset ratio</li> <li>• To total overseas NPA to total overseas assets ratio</li> </ul>
M – Management efficiency	<ul style="list-style-type: none"> <li>• Borrowings to total assets ratio</li> </ul>
E – Earnings quality	<ul style="list-style-type: none"> <li>• Interest Earned to total income ratio</li> <li>• Interest expended to total expense</li> <li>• interest income to total income</li> </ul>
L – Liquidity	<ul style="list-style-type: none"> <li>• Current Ratio</li> <li>• Government Securities to Total Assets</li> <li>• Total Advances to Total Deposits</li> </ul>

### 1.9 LIMITATIONS OF THE STUDY

The study has been limited to the period of the time span 2016-17 to 2020-21. The study has been restricted to the role of EXIM Bank in India alone.

### 1.10 REVIEW OF LITERATURE

Very few studies have been done relating to Asset Liability Management of EXIM Bank of India which are reviewed here.

**Sethurajan (2003)** in his Ph.D. thesis titled “A Study on Export Marketing of Cotton Yarn in Coimbatore District” investigated the direction and pattern of export of cotton yarn by cotton textile mills in Coimbatore district. The researcher has examined the procedure associated with the export of cotton yarn. The researcher has collected secondary data for a period of ten years. Stratified sampling technique has been adopted. This study has facilitated to enhance the marketing of cotton yarn in Coimbatore district.

**Dr. Bhayani, S. J. (2006)** in her article titled “A CAMEL Model Analysis of Selected Public and Private Sector Banks in India” stated that banking sector reforms in India had increased efficiency and profitability of the banks. The researcher has analyzed the performance of new private sector banks using CAMEL Model. Four leading private sector

banks – Industrial Credit & Investment Corporation of India, Housing Development Finance Corporation, Unit Trust of India and Industrial Development Bank of India had been taken as sample. After analyzing CAMEL parameters, the author had assigned ranks to all the banks according to their performance in various parameters of CAMEL, and then assigned them overall ranking. It is concluded in this study that the aggregate performance of IDBI was the best among all the banks, followed by UTI.

**Dr. Priyanka Gite and Rahul Mishra (2009)** in their article titled “EXIM Bank: Financing Export-Oriented Units in India” analysed one among the flagship programs of EXIM bank of India. They acknowledged that EXIM bank is actively engaged in financing the capital and other credit needs of the export-oriented units in India either directly or indirectly with the assistance of economic banks to offer a lift to the Indian export sector.

**Daniel Ikenson (2014, September)**, in his article titled “The Export-Import Bank and Its Victims: Which Industries and States Bear the Brunt” acknowledged an opposite thought against the EXIM Bank and had raised an issue on the working and existence of not only of EXIM bank of U.S.A but also on the opposite institution of an equivalent category even within the other countries. Author simply claimed that

the loans and grants which are provided by EXIM Bank of U.S.A belong to the tax payers of U.S.A and further backed with the facts that these facilities of the bank are negatively affecting some specific industries or the tiny players of the opposite industries.

**Dipesh B Nathwani (2015)** in their article titled “**Financial Performance Appraisal of Indian Banking Sector – A Comparative Study of Public and Private Banks in Gujarat**” studied three banks each from the general public sector and private sector. The general public sector banks were the depository financial institution of India, Bank of Baroda, and Punjab commercial bank. The private sector banks were HDFC Bank, Axis Bank and ICICI Bank. The data concerning these banks were collected for a period of ten Financial Years from 2005-06 to 2014-15 The CAMEL model was elaborated in terms of varied ratios with regard, to overall profitability. The results of the study indicated that the banks within the public sector were less profitable than the banks within the private sector.

**Alok kumar (2017)** in his Ph.D. thesis “**Export financing in India with special reference to Export import bank of India**”. Studied historical background of India., Government’s Effort to resolve the problems of foreign trade, EXIM policies of India, financial performance of EXIM bank an analytical study The researcher has collected from numerous sources such as annual reports of EXIM bank RBI bulletin ministry of commerce and Industry director general of foreign trade (DGFT) reports and annual reports of ECGC in addition to this different book have also been considered to collect related information. It was revealed from his study that there is no significant correlation between number of supply contracts and the value of supply contracts The major findings of information advisory services as a part of value added services which complements advisory and support services which complements its financing programs and also he suggestions of that EXIM has only nine regional offices in India and seven overseas offices so, my suggestions is that at least one regional office needs to be located in each state of India.

**Dinesh B. Dhaneshwar (2018)** in his Ph.D. Thesis titled “**The Role of EXIM Bank of India in the development of Foreign Trade**” studied management of the EXIM bank, operations performance, problems faced by the Bank. The researcher has collected primary data and secondary data using RBI bulletin, Annual Reports, published reports of the government, books, Journals, periodicals, various government websites and other unpublished records. Collected data is presented, analysed and interpreted through various statistical tools and techniques such as simple curve, tables, charts, graphs and percentage etc., It was revealed from his study that contribution of EXIM bank in promotion of export by providing non-financial services is proved hence his hypothesis also proved.

### 1.11 CAMEL MODEL

CAMEL Model is used for measuring the financial performance of a bank. CAMEL is basically, a ratio-based model to evaluate the performance of bank under various criteria. The CAMEL ratings are a supervisory rating system originally developed in the U.S. bank's overall condition. It's applied to every bank and credit union in the U.S. supervisory regulators. Bank examiners (trained and employed by the country's central bank) award these ratings. The CAMEL stands for various criteria through which bank performance is measured.

#### C stands for the Capital Adequacy

Capital adequacy focuses on the total position of bank capital. It assures the depositors that they are protected from the potential shocks of losses that a bank incurs. Financial managers maintain company adequate level of capitalization by following it. It is the key parameter of maintaining adequate levels of capitalization. In this study, capital adequacy is measured using the Capital adequacy ratio, equity to total assets ratio and total debt to total assets. That means capital adequacy enables a bank to meet any financial unexpected condition due to FOREX risk, credit risk, market risk, interest rate risk. Capital adequacy protects the interest of depositors of a bank. A bank has to maintain a minimum capital adequacy ratio

(CAR) of not less than 10 percent of their risk weighted assets (RWA, with at least 5 percent in core capital) or Taka 2 billion, whichever is higher.

The ratio used to evaluate capital adequacy and represented as:

1. Capital adequacy ratio
2. Government securities to total investment ratio
3. Common equity ratio
4. TIER-I ratio
5. TIER-II ratio

### CAMEL RATIO

#### A. CAPITAL ADEQUACY RATIO (CAR)

This ratio also known as **Capital to Risk (Weighted) Assets Ratio (CRAR)**, is the ratio of a bank's capital to its risk. National regulators track a bank's CAR to ensure that it can absorb reasonable amount of loss and complies with statutory Capital requirements

It is the combination of Tier I and Tier II capital.

**Formula:** - Formula for calculating this ratio is:

$$\text{CAR} = \frac{\text{Tier I capital} + \text{Tier II capital}}{\text{Risk Weighted Assets}} * 100$$

Assets

Analysis: - The higher ratio is preferable. It shows whether the bank is adequately capitalized or not.

**TABLE 1 CAPITAL ADEQUACY RATIO**

(Rs. in billion)

FINANCIAL YEAR	TIER -I	TIER – II	RWA	RATIO %
2016-17	107.60	8.50	734.1	15.81
2017-18	63.52	10.95	710.79	10.35
2018-19	114.77	8.81	648.05	19.07
2019-20	131.86	10.10	705.18	20.13
2020-21	145.8	11.42	602.47	25.89

Source: Calculated

From the above table 1, it is clear that Tier I is increased from Rs. 107.60 billion in 2016-17 to Rs. 145.8 billion in 2020-21. Tier II has been increased from Rs. 8.50 billion in 2016-17 to Rs.11.42 billion in 2020-21. Risk weighted assets have been increased from Rs.734.1 billion in 2016-17 to Rs. 602.47 billion in 2020-21. Capital adequacy ratio has been increased from 15.81 per cent in 2016-17 to 25.89 per cent in 2020-21 and the capital adequacy ratio is maintained as per Basel norms, it is concluded that the EXIM Bank is adequately capitalized.

#### B. GOVERNMENT SECURITIES TO TOTAL INVESTMENT

This ratio explains the proportion of Government securities in the total investment. It shows the risk-taking ability of the bank. It is calculated by dividing the amount invested in government securities by the total investment. Government Securities are treated as more safe but low return. In case of non-Government securities which having more risk and also gives more return.

Formula for calculating this ratio is:

Analysis: -The higher ratio is preferable.

**Government securities \*100**

**Total investments**

**TABLE 2**  
**GOVERNMENT SECURITIES TO TOTAL INVESTMENT**  
**(Rs. in billion)**

<b>FINANCIAL YEAR</b>	<b>GOVERNMENT SECURITIES</b>	<b>TOTAL INVESTMENTS</b>	<b>RATIO %</b>
2016-17	30,635,592,765	51,029,294,879	60.03
2017-18	38,985,454,430	56,969,220,517	68.43
2018-19	81,344,461,703	108,370,660,101	87.21
2019-20	88,161,170,750	108,370,660,101	81.35
2020-21	93,573,740,000	100,172,242,817	93.41

Source: Calculated

From the above Table 2, it is clear that Government Securities of the bank has been increased from Rs. 30.63 billion in 2016-17 to 93.57 billion in 2020-21. Total investment of the bank has been increased from Rs. 51.02 billion in 2016-17 to Rs. 100.17 billion in 2020-21. The Government Securities to total assets ratio has been increased from 60.03 per cent in 2016-17 to 93.41 per cent in 2021-21. It is concluded that the bank's risk-taking ability has been increased during the study period.

Common capital ratio is a measurement of a bank's core equity capital, compared with its total risk-weighted assets, and signifies a bank's financial strength. The Tier 1 common capital ratio is utilized by regulators and investors because it shows how well a bank can withstand financial stress and remain solvent.

Formula for calculating this ratio is:

**Common equity\*100**  
**Risk weighted asset**

### C. COMMON EQUITY RATIO

Analysis: - The higher ratio is preferable.

**TABLE 3**  
**COMMON EQUITY RATIO**  
**(Rs. in billion)**

<b>FINANCIAL YEAR</b>	<b>COMMON EQUITY</b>	<b>RISK WEIGHTED ASSET</b>	<b>RATIO %</b>
2016-17	15.53	684.10	2.27
2017-18	58.52	719.79	8.13
2018-19	109.77	648.05	17

2019-20	126.86	705.18	18
2020-21	139.58	602.47	23.17

Source: Calculated

From the above Table 3, it is clear that common equity of the bank has been increased from Rs.15.53 billion in 2016-17 to Rs. 139.58 billion in 2020-21. Risk Weighted Asset of the bank has been decreased from Rs.684.10 billion in 2016-17 to Rs. 602.47 billion in 2020-21. As the common equity ratio has been increased from 2.27 per cent in 2016-17 to 23.17 per cent in 2020-21, it is concluded that the bank can withstand financial stress and remain solvent.

#### D. TIER-I RATIO

Tier 1 capital is the core capital a bank holds in its reserves and exists as the primary source of funds. It's the assets a bank holds in order to continue providing for the business needs of its customers. Since banks typically provide capital

for customers, this can include a substantial amount of risk. The acceptable amount of Tier 1 capital held by a bank is at least 6per cent. TIER-I Capital refers to the core capital, which includes paid-up capital, statutory reserves, capital reserves and other disclosed free reserves.

The strength of the bank is measured using Tier 1 Capital Ratio.

Tier-I Ratio:

Formula for calculating this ratio is:

$$\frac{\text{TIER I CAPITAL} \times 100}{\text{RISK}}$$

**RISK**

**WEIGHTED ASSET**

Analysis: - The higher ratio is preferable.

**TABLE 4: TIER – I RATIO**

(Rs. in billion)

FINANCIAL YEAR	TIER I	RISK WEIGHTED ASSET	RATIO %
2016-17	107.60	734.01	14.65
2017-18	63.52	719.79	8.82
2018-19	114.77	648.05	17.71
2019-20	131.06	705.18	18.69
2020-21	145.8	602.47	24.00

Source: Calculated

From the above Table 4, The Tier I is increased from Rs. 107.60 billion in 2016-17 to Rs. 145.8 billion in 2020-21. Risk Weighted Asset of the bank has been decreased from Rs. 734.01 billion in 2016-17 to Rs. 602.47 billion in 2020-21. As the Tier I ratio has been increased from 14.65 per cent in 2016-17 to 24 per cent in 2020-21, it

is concluded that the financial strength of the bank remains stable.

#### E. TIER- II RATIO: -

Tier-2 capital comprises unaudited retained earnings, unaudited reserves and general loss reserves. This capital absorbs losses

in the event of a company winding up or liquidating. Tier-2 capital is the one that cushions losses in case the bank is winding up, so it provides a lesser degree of protection to depositors and creditors. It is used to absorb losses if a bank loses all its Tier-1 capital.

Formula for calculating this ratio is:

$$\frac{\text{TIER-II} * 100}{\text{Risk weighted asset}}$$

Analysis: - The higher ratio is preferable

**TABLE 5: TIER – II RATIO**

(Rs. in billion)

FINANCIAL YEAR	TIER – II	RISK WEIGHTED ASSET	RATIO %
2016-17	8.50	734.01	1.15
2017-18	10.95	719.79	1.52
2018-19	8.81	648.05	1.35
2019-20	10.10	705.18	1.43
2020-21	11.42	602.47	1.89

Source: Calculated

From the table 5 The Tier – II is increased from Rs.8.50 billion in 2016-17 to Rs.11.42 billion in 2021-21. Risk Weighted Asset of the bank has been decreased from Rs. 734.01 billion in 2016-17 to Rs. 602.47 billion in 2020-21. As the Tier II ratio has been increased from 1.15 per cent in 2016-17 to 1.89 per cent in 2021-21, it is concluded that the bank provides a high degree of protection to its depositors and creditors.

## F. ASSET QUALITY

Asset quality covers an institutional loan's quality which reflects the earnings of the institution. Assessing asset quality involves rating investment risk factors that the company may face and comparing them to the company's capital earnings. This shows the stability of the company when faced with particular risks. Asset quality determines the robustness of financial institutions against loss of value in the assets. All banks show the concentration of loans and advances in total assets. The high concentration of loans and advances indicates vulnerability of assets to credit risk, especially since the portion

of non-performing assets is significant. Lastly, asset quality is reflected by the efficiency of an institution's investment policies and practices. In this report Asset quality parameter is measured by the following ratio: Asset's quality related to the left side of the balance-sheet. Bank managers are concerned with the quality of their loans, since that provide earnings for the banks.

## G. TOTAL INVESTMENT TO TOTAL ASSETS: -

This ratio indicates the extent of deployment of assets in investment as against advances. This ratio is used as a tool to measure the percentage of total assets locked up in investments. A higher ratio shows the conservative policy of a bank to provide safeguards to the investments against NPAs.

Formula: -

$$\frac{\text{Total Investment} * 100}{\text{Total Assets}}$$

Analysis: - The higher ratio is preferable.



**TABLE 6**  
**TOTAL INVESTMENT TO TOTAL ASSET RATIO**  
(Rs. in billion)

<b>FINANCIAL YEAR</b>	<b>TOTAL INVESTMENT</b>	<b>TOTAL ASSET</b>	<b>RATIO %</b>
2016-17	51.02	1172.07	4.35
2017-18	56.96	1235.18	4.61
2018-19	93.7	1146.25	8.13
2019-20	108.37	1308.40	8.28
2020-21	100.17	1348.01	7.43

Source: Calculated

From the above table 6, it is inferred that total investment has increased from Rs. 51.02 billion in 2016-17 to Rs. 100.17 billion. The total asset has increased from Rs. 1172.07 billion in 2016-17 to Rs. 1348.01 billion in 2020-21. As the total investment to total assets ratio is increased from 4.35 per cent in 2016-17 to 7.43 per cent in 2020-21, it is concluded that the bank has conservative policy to provide safeguards to the investments against NPAs.

#### H. FIXED ASSET TO TOTAL ASSETS

Fixed assets are noncurrent assets, meaning the assets have a useful life of more than one Financial Year. Total assets refer to the sum of the book values of all assets owned by the bank.

Formula: -

$$\frac{\text{Fixed asset} * 100}{\text{Total Assets}}$$

**TABLE 7**  
**FIXED ASSET TO TOTAL ASSET RATIO**

Rs. in billion

<b>FINANCIAL YEAR</b>	<b>FIXED ASSET</b>	<b>TOTAL ASSET</b>	<b>RATIO %</b>
2016-17	1,29,83,67,915	11,72,07,36,92,147	0.11
2017-18	1,25,90,22,689	12,35,18,95,82,470	0.10
2018-19	2,27,74,39,560	11,46,25,44,82,778	0.19
2019-20	3,72,91,29,019	13,08,40,74,44,603	0.28
2020-21	3,95,91,49,600	13,48,01,61,53,812	0.29

Source: Calculated

From the above table 7, it is clear that the fixed asset has increased from Rs. 1.29 billion in 2016-17 to Rs. 3.95 billion in 2020-21.

The total asset has increased from Rs.1.17 billion in 2016-17 to Rs.1.34 billion in 2020-21. As the Fixed Assets to Total Assets ratio is

increased from 0.11 per cent in 2016-17 to 0.29 per cent in 2020-21, it is concluded that the bank has made heavy investment in fixed assets.

#### I. TOTAL LOAN TO TOTAL ASSET

The loan to asset ratio, also known as the debt ratio, is a leverage ratio that indicates the percentage of assets that are being financed with debt. The higher the ratio, the greater the degree of leverage and financial risk. The debt to asset ratio is commonly used by creditors to

determine the amount of debt in a company, the ability to repay its debt, and whether additional loans will be extended to the company

Formula: -

$$\frac{\text{Total loan} * 100}{\text{Total asset}}$$

Analysis: - Higher ratio represents that the bad quality of loans is increasing thus lower ratio is preferable.

**TABLE 8**  
**TOTAL LOAN TO TOTAL ASSET RATIO**

Rs. in billion

FINANCIAL YEAR	TOTAL LOAN	TOTAL ASSET	RATIO %
2016-17	1017.15	1172.07	86.78
2017-18	1046.57	1235.18	84.72
2018-19	929.17	1146.25	81.06
2019-20	980.51	1308.40	74.93
2020-21	1024.41	1348.01	75.99

Source: Calculated

From the Table: 8, it is clear that total loan is increased from Rs. 1017.15 billion to Rs. 1024.41 billion and total assets have increased from Rs. 1172.07 billion in 2016-17 to Rs. 1348.01 billion in 2020-21. As the ratio of total loan to total assets has decreased from 86.78 per cent in 2016-17 to 75.99 per cent in 2020-21, it is concluded that the bank is loaned down and its liquidity is high.

It states the relationship between NPA and overseas asset.

Formula: -

$$\frac{\text{Total overseas NPA} * 100}{\text{Total overseas Assets}}$$

Analysis: - Lower ratio is preferable.

#### J. TOTAL OVERSEAS NPA TO TOTAL OVERSEAS ASSETS:

**TABLE 9**

#### TOTAL OVERSEAS NPA TO TOTAL OVERSEAS ASSETS

Rs. in billion

FINANCIAL YEAR	TOTAL OVERSEAS NPA	TOTAL OVERSEAS ASSETS	RATIO %
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2016-17	6.64	121.524	5.46
2017-18	5.62	95.26	5.89
2018-19	1.31	86.89	1.50
2019-20	2.96	49.85	5.93
2020-21	2.62	42.74	6.13

Source: Calculated

From the Table: 9, it is clear that total overseas NPA is decreased from Rs. 6.64 billion in 2016-17 to Rs.2.62 billion in 2021-21. Total overseas assets have decreased fromRs. 121.52 billion in 2016-17 to Rs. 42.74 billion in 2020-21. As the ratio of total overseas NPA to total overseas assets increased from 5.46 per cent in 2016-17 to 6.13 per cent in 2020-21, it is concluded that the bank's overseas assets quality is good and overseas NPA is manageable.

#### MANAGEMENT EFFICIENCY

Management quality states how the management is effectively and efficiently

performing on the banks. Management efficiency means adherence to set norms, ability to plan and respond to changing environments, leadership and administrative capability of the bank.

#### K. BORROWINGS TO TOTAL ASSETS

Borrowings to total assets ratio shows the degree to which a bank has used debt to finance its assets.

Formula: -

$$\frac{\text{Borrowings} * 100}{\text{Total Assets}}$$

Table 10

#### BORROWINGS TO TOTAL ASSETS

Rs. in billion

FINANCIAL YEAR	BORROWINGS	TOTAL ASSETS	RATIO %
2016-17	150.07	1172.07	13
2017-18	172.97	1235.18	14
2018-19	141.31	1146.25	12.32
2019-20	143.06	1308.40	11
\2020-21	128.77	1348.01	10

Source: Calculated

From the above table 10, it is clear that the borrowings have increased from Rs.150.07 billion in 2016-17 to Rs. 128.77 billion in 2020-21. The total asset has increased fromRs. 1172.07 billion in 2016-17 to Rs. 1348.01 billion in 2020-21. As the ratio of borrowings to

total assets decreased from 13 per cent in 2016-17 to 10 per cent in 2020-21, it is concluded that the bank's management is efficient in repaying its borrowings.

### E stands for the **Earnings**

This rating reflects not only the quantity and trend in earning, but also the factors that may affect the sustainability of earnings. Inadequate management may result in loan losses and in return require higher loan allowance or pose high level of market risks. The future performance in earning should be given equal or greater value than past and present performance.

#### **L. INTEREST INCOME TO TOTAL INCOME RATIO**

The Interest income to total income indicates the interest earned and total income of the bank. The excess revenue that is generated from the interest earned on assets over the

interest paid out on the deposits is the net interest income. Interest income to total income ratio indicates how much interest is earned with respect to total deposit.

A high ratio is a good indicator (but a too high ratio is not necessarily a good indicator), while a low ratio might indicate that banks rely on non-interest source of funds.

Formula:  $\frac{\text{Interest Income}}{\text{Total income}} * 100$

Analysis: - Higher ratio will be considered better.

**Table 11**  
**INTEREST INCOME TO TOTAL INCOME RATIO**

Rs. in billion			
FINANCIAL YEAR	INTEREST INCOME	TOTAL INCOME	RATIO %
2016-17	82.93	92.35	90
2017-18	84.41	87.78	96.15
2018-19	82.38	92.35	89.20
2019-20	87.26	90.96	96
2020-21	79.79	85.76	93.04

Source: Calculated

From the above table 11, it is clear that the interest income has decreased from Rs.82.93 billion in 2016-17 to Rs. 79.79billion in 2020-21. Th total income has decreased from Rs.92.35 billion in 2016-17 to Rs. 85.76 billion in 2020-21. As the ratio of interest income to total income increased from 90 per cent in 2016-17 to 93.04 per cent in 2020-21, it is concluded that interest income is the major source of income to the bank than non-interest income and in turn will increase profitability.

#### **M. INTEREST EXPENSES TO INTEREST INCOME**

It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit. It is essentially calculated as the interest rate times the outstanding principal amount of the debt.

Formula: -  $\frac{\text{Interest Expense}}{\text{Interest income}} * 100$

Analysis: - Lower ratio will be considered better.

**Table 12**  
**INTEREST EXPENSES TO INTEREST INCOME**  
**Rs. in billion**

<b>FINANCIAL YEAR</b>	<b>INTEREST EXPENSES</b>	<b>INTEREST INCOME</b>	<b>RATIO %</b>
2016-17	65.02	82.93	78.39
2017-18	65.86	84.41	78
2018-19	67.56	82.38	82
2019-20	62.51	87.26	72
2020-21	54.18	79.79	68

Source: Calculated

From the above table 12, it is clear that the interest expense has increased from Rs. 65.02 billion in 2016-17 to Rs. 54.18 billion in 2020-21. The total income has decreased from Rs. 82.93 billion in 2016-17 to Rs. 79.79 billion in 2020-21. As the ratio of interest expense to interest income is decreased from 78.39 per cent in 2016-17 to 68 per cent in 2020-21, it is concluded that the bank has reduced interest expense and there by increased profitability.

#### **L** stands for the **Liquidity**

Liquidity refers to the ability of the bank to meet its short-term obligations. They are of particular interest to those extending short-term credit to the firm. An adequate liquidity position means a situation, where organization can obtain

sufficient liquid funds, either by increasing liabilities or by converting its assets quickly into cash. The following four ratios are selected to check the liquidity position of the banks.

#### **N. CURRENT RATIO**

The current ratio is a liquidity ratio that measures a bank's ability to pay short-term and long-term obligations. Depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, is not securing financing well or is not managing its working capital well.

Formula:  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

**Table 13**  
**CURRENT RATIO**  
**Rs. in billion**

<b>FINANCIAL YEAR</b>	<b>CURRENT ASSET</b>	<b>CURRENT LIABILITY</b>	<b>RATIO %</b>
2016-17	11,14,34,81,45,095	46,63,75,52,503	4.18
2017-18	11,60,44,47,85,036	57,70,50,66,214	4.97
2018-19	12,31,62,62,17,625	32,99,28,75,864	2.67
2019-20	10,71,56,48,84,418	31,37,18,76,936	2.92
2020-21	12,83,60,83,63,224	33,01,40,55,544	2.57

Source: Calculated

From the table 13, it is clear that the current asset has increased from Rs.11.14billion in 2016-17 to Rs. 12.83billion in 2020-21. The total current liability has decreased from Rs. 46.63 billion in 2016-17 to Rs. 33.01 billion in 2020-21. The current ratio has decreased from 4.18 per cent to 2.57 per cent. As the ideal current ratio of the bank is 2:1, it is concluded that the bank's liquidity position is good. It is a stark indication of the financial soundness of the bank.

#### O. GOVERNMENT SECURITIES TO TOTAL ASSETS

Government securities are the most liquid and safe investments. This ratio measures the Government Securities as a proportion of total assets. Banks invest in government securities primarily to meet their SLR requirements. This ratio measures the risk involved in the assets held by a bank. The higher proportion is required.

Formula:  $\frac{\text{Government securities} * 100}{\text{Total assets}}$

**Table 14**  
**GOVERNMENT SECURITIES TO TOTAL ASSETS**  
**Rs. in billion**

FINANCIAL YEAR	GOVERNMENT SECURITIES	TOTAL ASSETS	RATIO %
2016-17	30,635,592,765	11,72,07,36,92,147	2.61
2017-18	38,985,454,430	12,35,18,95,82,470	3.15
2018-19	81,344,461,703	11,46,25,44,82,778	7.10
2019-20	88,161,170,750	13,08,40,74,44,603	6.73
2020-21	93,573,740,000	13,48,01,61,53,812	6.94

Source: Calculated

From the table 14, it is clear that the value of Government securities has increased from Rs. 30.63 billion in 2016-17 to Rs. 93.57 billion in 2020-21. The value of total assets has increased from Rs. 11.72 billion in 2016-17 to Rs. 13.48 billion in 2020-21. As the Government Securities to total assets ratio has increased from 2.61 per cent in 2016-17 to 6.94 per cent in 2020-21, it is concluded that the level of risk involved in the assets held by the bank is less.

#### P. TOTAL ADVANCES TO TOTAL DEPOSITS

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The loan-to-deposit ratio is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Formula: - 
$$\frac{\text{Total advances} * 100}{\text{Total deCosits}}$$

Analysis: -Higher ratio is preferable.

**Table 15**  
**TOTAL ADVANCES TO TOTAL DEPOSITS**  
**Rs. in billion**

<b>FINANCIAL YEAR</b>	<b>TOTAL ADVANCES</b>	<b>TOTAL DEPOSITS</b>	<b>RATIO %</b>
2016-17	1017.15	3726.43	27
2017-18	1046.57	2860.51	36
2018-19	929.17	2527.59	36
2019-20	980.51	2348.77	41
2020-21	1024.41	2051.73	50

Source: Calculated

From the table 15, it is clear that the total advance is increased from Rs.1017.15 billion in 2016-17 to Rs. 1024.41billion in 2020-21. The deposit has decreased from Rs. 3726.43 billion in 2016-17 to Rs. 2051.73 billion in 2020-21. As the total advance to total deposits ratio has increased from 27 per cent in 2016-17 to 50 per cent in 2020-21, it is concluded that the bank has doubled granting of advances out of deposits for export and import activities.

## 1.12 SUMMARY OF FINDINGS

### CAPITAL ADEQUACY

Capital adequacy ratio has been increased from 15.81 per cent in 2016-17 to 25.89 per cent in 2020-21 and the capital adequacy ratio is maintained as per Basel norms, it is concluded that the EXIM Bank is adequately capitalized.

The Government Securities to total assets ratio has been increased from 60.03 per cent in 2016-17 to 93.41 per cent in 2021-21. It is concluded that the bank's risk-taking ability has been increased during the study period.

As the common equity ratio has been increased from 2.27 per cent in 2016-17 to 23.17 per cent in 2020-21, it is concluded that the bank

can withstand financial stress and remain solvent.

As the Tier I ratio has been increased from 14.65 per cent in 2016-17 to 24 per cent in 2020-21, it is concluded that the financial strength of the bank remains stable.

As the Tier II ratio has been increased from 1.15 per cent in 2016-17 to 1.89 per cent in 2021-21, it is concluded that the bank provides a high degree of protection to its depositors and creditors.

### ASSET QUALITY

As the total investment to total assets ratio is increased from 4.35 per cent in 2016-17 to 7.43 per cent in 2020-21, it is concluded that the bank has conservative policy to provide safeguards to the investments against NPAs.

As the Fixed Assets to Total Assets ratio is increased from 0.11 per cent in 2016-17 to 0.29 per cent in 2020-21, it is concluded that the bank has made heavy investment in fixed assets.

As the ratio of total loan to total assets has decreased from 86.78 per cent in 2016-17 to 75.99 per cent in 2020-21, it is concluded that the bank is loaned down and its liquidity is high.

As the ratio of total overseas NPA to total overseas assets increased from 5.46 per cent in 2016-17 to 6.13 per cent in 2020-21, it is concluded that the bank's overseas assets quality is good and overseas NPA is manageable.

### **MANAGEMENT EFFICIENCY**

As the ratio of borrowings to total assets decreased from 13 per cent in 2016-17 to 10 per cent in 2020-21, it is concluded that the bank's management is efficient in repaying its borrowings.

### **EARNINGS ABILITY**

As the ratio of interest income to total income increased from 90 per cent in 2016-17 to 93.04 per cent in 2020-21, it is concluded that interest income is the major source of income to the bank than non-interest income and in turn will increase profitability.

As the ratio of interest expense to interest income is decreased from 78.39 per cent in 2016-17 to 68 per cent in 2020-21, it is concluded that the bank has reduced interest expense and there by increased profitability.

### **LIQUIDITY**

The current ratio has decreased from 4.18 per cent to 2.57 per cent. As the ideal current ratio of the bank is 2:1, it is concluded that the bank's liquidity position is good.

As the Government Securities to total assets ratio has increased from 2.61 per cent in 2016-17 to 6.94 per cent in 2020-21, it is concluded that the level of risk involved in the assets held by the bank is less.

As the total advance to total deposits ratio has increased from 27 per cent in 2016-17 to 50 per cent in 2020-21, it is concluded that the bank has doubled granting of advances out of deposits for export and import activities.

### **1.13 SUGGESTIONS**

The following are the suggestions for improvement of financial performance of the bank:

1. The total import finance to total export finance ratio has decreased from 15.89 per cent in 2016-17 to 9.95 per cent in 2020-21. It is suggested that the bank may grant loans and advances for

exports liberally to encourage exports, earn more foreign exchange and increase job opportunity in Export business.

2. As the ratio of total overseas NPA to total overseas assets increased from 5.46 per cent in 2016-17 to 6.13 per cent in 2020-21, it is suggested that the bank may reduce the level of NPA below 5 per cent through effective credit policy and effective management of NPA.
3. The current ratio has decreased from 4.18 per cent to 2.57 per cent. it is suggested that the bank may maintain liquid funds such as cash in hand and cash at bank.
4. The bank may take initiatives to increase interest earned and to decrease interest expended in order to increase its profitability.

### **1.14 SCOPE FOR FURTHER RESEARCH**

The following are the scope for further research:

1. The Role of Export-Import Bank of India in India's Foreign Trade.
2. A Study on Export Import Financing Strategies of Export Import Bank of India.
3. A Comparative study between Export Import Bank of India and Export Import Bank of China.
4. A Study on Export Import Banks in Asian Countries.

### **1.15 CONCLUSION**

From the above analysis of asset liability management of EXIM Bank of India using CAMEL Model, it is concluded that the capital adequacy, asset quality, management efficiency, earnings ability and liquidity of the bank are found good. It is also concluded that the bank's lending performance such as export financing and import financing are also good.

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