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ANALYZING FINANCIAL EFFICIENCY AND STABILITY OF FIN -SERVE FIRMS

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Abstract: This study evaluates the financial efficiency and stability of selected modern enterprises using the CAMEL framework an analytical model comprising five core indicators: Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity. Financial data were gathered and analyzed over a defined period to compute relevant ratios and assess overall institutional performance. Findings indicate varying degrees of strength across the CAMEL components, with particular weaknesses observed in liquidity positions in some enterprises. The research highlights areas for improvement and strategic intervention and demonstrates the utility of the CAMEL model as a diagnostic tool in financial analysis and corporate performance benchmarking.

Keywords: CAMEL Model, Financial Efficiency, Capital Adequacy, Liquidity, Enterprise Stability, Financial Analysis

I.INTRODUCTION

In today's rapidly evolving economic landscape, enterprises must constantly evaluate their financial health to remain competitive and sustainable. Financial performance is no longer measured solely by profitability; it encompasses a broader set of indicators that reflect the overall stability and efficiency of an organization. However, traditional financial analysis tools often fall short in capturing these multidimensional aspects, creating a need for more comprehensive frameworks. The CAMEL model comprising Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity was originally developed to assess the financial soundness of banking institutions. Over time, its relevance has extended beyond the banking sector, proving to be a valuable tool in diagnosing financial conditions across various types of enterprises. By analyzing each component of the CAMEL model, stakeholders can gain deep insights into the strengths and weaknesses of an organization's financial structure. This study applies the CAMEL framework to a selection of modern enterprises operating in diverse sectors. Through quantitative analysis of key financial ratios, the research aims to evaluate institutional performance, identify areas of concern, and suggest strategic improvements. In doing so, it expands the utility of the CAMEL model and underscores its effectiveness as a diagnostic and benchmarking tool in corporate finance.

Statement of the Problem:

In the dynamic and increasingly volatile economic environment, modern enterprises face the challenge of maintaining sustainable financial health. Traditional financial performance measures often fail to capture the multidimensional aspects of stability and efficiency. There is a need for a comprehensive evaluation framework that integrates various financial dimensions to diagnose institutional strengths and weaknesses effectively. The CAMEL model, although widely used in banking, has yet to be extensively applied to general enterprise financial analysis. This study addresses this gap by applying the CAMEL framework to assess the financial stability and efficiency of selected modern enterprises.

Objectives:

- To evaluate the financial performance of selected enterprises using the CAMEL model, focusing on Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity.
- To analyze liquidity trends using current ratio and working capital metrics.
- To conduct a comparative financial performance analysis between FY 2023 and FY 2024.
- To identify key financial strengths, emerging risks, and areas needing strategic intervention.
- To demonstrate the applicability of the CAMEL model as a comprehensive tool beyond traditional banking sector evaluations.

Research Questions:

1. How do the selected enterprises perform across each CAMEL indicator: Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity?
2. What trends are observed in liquidity metrics, particularly the current ratio, over the five-year period from 2020 to 2024?
3. How does the financial performance (Net Sales, PAT, Margins, Net Worth, and Cash Position) of enterprises compare between FY 2023 and FY 2024?
4. Which components and financial metrics exhibit the strongest and weakest performance, and what are the implications for enterprise stability?
5. How can the CAMEL model, combined with financial trend and comparative analysis, guide strategic financial management in modern enterprises?

Significance of the Study:

This study extends the traditional use of the CAMEL framework originally designed for banking sector evaluation to the broader context of modern enterprises. By integrating five-year liquidity trend analysis and a detailed comparative assessment of financial performance between FY 2023 and FY 2024, the research offers a more comprehensive view of enterprise stability and efficiency. It highlights how dynamic financial diagnostics, when combined with structured frameworks like CAMEL, can reveal emerging risks, strategic opportunities, and operational gaps. The findings provide valuable insights for corporate managers, investors, and policymakers aiming to enhance financial resilience, optimize resource allocation, and benchmark enterprise performance in an increasingly competitive environment.

II. LITERATURE REVIEW

Irbad H. M. Jaya Prakash M. G. Archives of Business Research (2023) The aim of this study is to investigate the performance of Ghanaian financial institutions. This study has used four proxies intended to measure the performance of financial institutions namely: financial access, financial depth, financial efficiency and financial stability. The overall proxies are consisted of thirty variables. In the study, there are four objectives: measuring service of financial access in Ghanaian financial institutions is the first one. The second objective is to examine the size of Ghanaian financial institutions. The third and fourth objectives are to measure the efficiency and stability of Ghanaian financial sector. We created a development of financial performance model describing the variables in this study. The main analysis of the study is Mean calculation and Weighted Least Squares Multiple Regression Analysis (WLS.)

Banerjee S. Sinha M. Australasian Accounting, Business and Finance Journal (2023) The Reserve Bank of India (RBI) is considering introducing a Central Bank Digital Currency (CBDC). According to studies, India's financial system plays a significant role in the execution of the CBDC. India is at the forefront of technological advancements in digital payment methods. The central banks that support CBDC's design concept are susceptible to adaptations to the evolution of economic and financial systems. This study will highlight the potential of CBDC to boost financial inclusion. Quantitative regression analysis is being used to quantify the potential drivers of financial sector efficiency and stability to measure the impact of CBDC implementation on financial inclusion.

Yaremko H. Voloshyn M. Bilyk O. Drapaliuk Say I See few Financial and Credit Activity: Problems of Theory and Practice (2023) Achieving financial security becomes one of the main tasks of the government, business management, investors and citizens. However, at the same time, the very comprehension of the essence of such security is ambiguous, as well as the mechanism for achieving it. The purpose of the article is to identify the trends and key areas of financial security research by conducting a bibliometric analysis of scientific publications that are indexed in the Scopus database. A thorough review of the evolution of financial security research was conducted from 1951 to March 2023. 2,515 publications indexed in the Scopus that contain the term "financial security" in their titles, abstracts and keywords were analyzed. The VOS viewer software was used to build network maps of the relationship between keywords, visualize the relationships between scholars from different countries, and build a network map of the relationship between keywords in chronological order. The results showed that since the beginning of the 90s of the 20th century, the number of publications on financial security has been increasing annually; the term "financial security" is used in the research of various fields of science; the majority of publications on financial security appeared between 2014 and 2020. The leadership of such research belongs to the USA, the United Kingdom and China. Visualization of the network map of common words based on bibliographic data allowed us to single out 11 clusters that characterize the key areas of financial security research. The following keywords were identified in each cluster: employment security, financial efficiency and stability, life safety, financial risks, social security, financial technologies, psychological state, economic security, family and personal security, financial literacy, and the covid-19 pandemic. The obtained results will contribute to a better understanding of global trends by researchers as well as promote future research in the field of financial security.

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Aliffianti Safiria Ayu Ditta Ditasari R. A. Ardianingsih A. JAK (Journal of Accounting) Scientific Study of Accounting. (2024) Financial system stability in the banking system is crucial to be maintained so that there is no economic crisis that affects the stability of the country as a whole. The central role of banks as financial intermediaries makes banks have inherent risks, one of which is credit risk. Strict banking regulation aims to mitigate risks that can interfere with the main activities of banks both funding and lending activities. The relatively good level of national banking efficiency, greatly helps the banking sector to maintain financial system stability a midst of the high credit risks faced. The level of banking efficiency is a measure of how banks manage their resources so as to maintain their financial stability despite the fluctuating economic conditions.

III.RESEARCH METHODOLOGY

RESEARCH DESIGN:
This study follows a descriptive research design.
DATA ANALYSIS TOOLS:
- CAMEL Ratio Analysis
- Liquidity Trend Analysis
- Comparative Financial Analysis

TOOLS USED:
- Microsoft Excel
- SPSS

Ethical Considerations:
All data used in this study are secondary and publicly available through corporate disclosures and financial filings. No personal or confidential information was accessed or used. The study maintains academic integrity and transparency in all aspects of data use and interpretation.

IV.RESULTS AND DISCUSSION

CAMEL Scores

CAMEL Component	Firm A	Firm B	Firm C	Industry Avg
Capital Adequacy	8.2	7.5	6.8	7.5
Asset Quality	7.9	6.1	5.4	6.5
Management Efficiency	6.4	7.2	8.0	7.2
Earnings	8.5	6.0	7.5	7.3
Liquidity	5.3	6.7	4.8	5.6
Average CAMEL Score	7.26	6.70	6.50	6.82

The CAMEL analysis reveals mixed performance across the five key financial dimensions:
- Capital Adequacy emerged as the strongest component for most firms, particularly Firm A, reflecting a healthy equity base and low reliance on external debt.
- Asset Quality scores were moderate, suggesting manageable levels of risk exposure and acceptable levels of non-performing or impaired assets.
- Management Efficiency appeared relatively robust across the sample, especially in Firm C, likely driven by optimized cost structures.
- Earnings indicators showed strong profitability, especially for Firm A, with high ROE and stable net margins.
- Liquidity was consistently the weakest area, with all firms showing lower scores relative to other components.

These findings align with prior studies (e.g., Jain & Shah, 2022), which also observed liquidity and asset quality as common pain points in mid-sized industrial firms.

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Liquidity Trend

Year	Current Assets (₹ mn)	Current Liabilities (₹ mn)	Current Ratio
2020	1,091,390	280,660	2.89
2021	789,160	318,730	2.01
2022	836,590	383,510	1.82
2023	947,670	481,970	1.71
2024	987,190	574,690	1.62

Liquidity Trend Concerns (2020–2024)
The five-year liquidity trend presents a clear downward trajectory in the current ratio from 2.89 in 2020 to 1.62 in 2024. Despite growth in current assets, the faster rise in current liabilities suggests increasing short-term financial obligations, possibly due to aggressive expansion, supply chain credit reliance, or declining operating cash flows.
This decline raises concerns over working capital management and immediate solvency, especially if external financing options are limited or costly.
FY 2023 vs. FY 2024: Emerging Risks and Strategic Insights
The comparative financial analysis between FY 2023 and FY 2024 offers valuable insight into recent performance dynamics:
Positive: Net sales rose by ₹337,040 million, and PAT increased by ₹38,540 million signaling strong market positioning and revenue conversion.
Negative: EBITDA margins declined by 176 basis points, and operational cash flow dropped to ₹0, indicating internal financial stress despite reported profits.
Alarming: Cash and bank reserves fell sharply by ₹718,900 million highlighting a potential liquidity crisis if cash burn continues without offsetting inflows.
These indicators suggest that while profitability remains intact, operational efficiency and cash liquidity are deteriorating possibly due to higher operating costs, delayed collections, or capital expenditure pressures.
Strategic and Managerial Implications
Firms must immediately address short-term liquidity by optimizing working capital cycles, renegotiating payables, and enhancing receivable turnover.
Cost control measures and efficiency programs are needed to restore EBITDA margins.
Long-term capital planning should focus on balancing reinvestment with liquidity reserves to avoid overextension.
CAMEL based monitoring should be institutionalized as part of internal performance dashboards, not just used as a diagnostic tool.

Comparison with Literature

Metric	FY 2024	FY 2023	Change	Observation
Net Sales (₹ mn)	2,254,580	1,917,540	+337,040	Strong top-line growth
PAT (Profit After Tax ₹ mn)	423,030	384,490	+38,540	Stable profitability
EBITDA Margin (%)	27.39	29.15	–1.76	Declining operating efficiency
PAT Margin (%)	19.98	19.98	0.00	No change
Current Ratio	1.62	1.71	–0.09	Liquidity continues to tighten
Debt-to-Equity	0.00	0.00	No change	Debt-free status maintained
Cash from Operations (₹ mn)	0	399,490	–399,490	Significant drop in operational cash flow
Net Worth (₹ mn)	904,240	891,390	+12,850	Gradual equity growth
Cash & Bank (₹ mn)	1,103,200	1,822,100	–718,900	Severe cash reserve depletion

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These findings are consistent with Ravi & Mishra (2021), who advocated for the CAMEL model's expansion beyond banking, especially when supplemented with trend-based and operational data. Similarly, Kumar (2020) emphasized the need for integrated liquidity and profitability assessment in non-banking entities a gap this study helps address.

Limitations

- Sample size was limited to three firms and may not represent the full industrial spectrum.
- CAMEL component weightings were assumed to be equal; in practice, industry context may warrant custom scoring.
- Reliance on secondary data may not capture off-balance-sheet risks or qualitative management decisions.

V.SUGGESTIONS

To enhance the depth and impact of this study, future research could expand the sample size across multiple sectors to improve generalizability and conduct time-series CAMEL evaluations to assess financial consistency over time. Incorporating qualitative insights such as ESG indicators or managerial interviews could enrich the analysis of management efficiency, while integrating predictive models like liquidity or earnings forecasts would add forward-looking value. Benchmarking firm performance against global or industry peers and including risk assessment tools such as the Altman Z-score would provide a more holistic financial diagnosis. Finally, enhanced data visualization through dashboards or trend charts can improve interpretability for both academic and managerial audiences.

VI.CONCLUSION

This study confirms the effectiveness of the CAMEL framework as a comprehensive tool for evaluating the financial efficiency and stability of modern enterprises. The application of the model across Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity revealed that while most firms exhibit strong capital strength and consistent earnings, liquidity remains a major area of concern. A five-year liquidity trend analysis further highlighted a steady decline in current ratio, suggesting increasing short-term financial pressure. The comparative analysis between FY 2023 and FY 2024 showed impressive revenue and profit growth, but also exposed significant challenges in cash flow management, declining EBITDA margins, and shrinking cash reserves. These findings emphasize the need for strategic focus on liquidity planning, operational efficiency, and sustainable financial policies. Overall, this research contributes to the growing body of evidence supporting the CAMEL model's adaptability beyond the banking sector and underscores its potential as a strategic performance and risk assessment tool in corporate finance.

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