Camels Rating Model For Evaluating Financial Performance of Banking Sector: A Theoretical Perspective

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***Abstract*— The function and significance of banking sector cannot be under-estimated in the development of an economy. The strength of economy of any country basically hinges on the strength and efficiency of financial system, which, in turn, depends upon a sound banking system. Reserve Bank of India recommended two supervisory rating models named as CAMELS (Capital Adequacy, Assets Quality, Management, Earning, Liquidity, Systems and Controls) and CACS (Capital Adequacy, Assets Quality, Compliance, Systems and Controls) for rating of Indian commercial, private and foreign banks operating in India. The present study describes the various financial ratios used in the above mentioned models to measure the financial performance of banking sector. The study examined each parameter of CAMELS system by review of literature and empirical studies.**

***Index Terms:* Capital Adequacy, Assets Quality, Management, Earning Quality, Liquidity and Sensitivity etc.**

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