FINDINGS

Strengthening of financial system has been one of the central issues facing emerging markets and developing economies. The lesson being that the sound financial system serves as an important channel for achieving economic growth through the mobilization of financial savings, putting them to productive use and transforming various risks. Due to the implementation of financial reforms since 1991, there has been significant favourable changes in India's highly regulated banking sector. The present study has assessed the financial performance of Indian banks in post-liberalization era by examining hypothesis of Financial Performance of Indian Banks are improved in Post Liberalisation era and "financial performance of Private Sector Banks are better than Public Sector Banks in post - liberalization era".

The analysis of financial performance of Indian banks have been tested through the application of CAMEL model. The findings of the study are as follows:-

Capital is the engine of the economy and the financial
information is the oil that keeps the engine running smoothly. Capital Adequacy Ratio (CAR) measures the amount of a bank's capital expressed as a percentage of its credit exposure. Applying minimum Capital Adequacy Ratio serves to protect depositors and promote the stability and efficiency of the financial system by reducing the livelihood of banks becoming insolvent. The higher Capital Adequacy Ratio, the higher level of protection available to depositors. But there is a catch here - a higher level adequacy could also mean a bank is sitting on money rather than making productive use of its interest which is not being earned. Both the sample banks are following the norms and are in sound position.

In India, according to BASEL norms issued in April, 1992 all scheduled commercial banks are required to maintain a Capital Risk Weighted Assets Ratio (CRAR of 8% w.e.f. 31.03.1995 and 9% from 31.03.2000); otherwise the bank will be treated as under capitalized. The CRAR = Capital/Risk weighted Assets. The CRAR is also known as capital adequacy Ratio (CAR). The minimum requirement of capital adequacy ratio (CAR) : In the case of all scheduled commercial Banks CAR = 9%, for new private sector Bank CAR is 10%. Insurance
Business CAR is 10% and for local area Banks CAR is 15%. The CAR of SBI has 11.88% from 2000-01 to 2008-09 which is higher than prescribed level. The CAR for ICICI bank recorded its 10.38 in 2003-04, which indicate SBI is financially more sound than ICICI bank. In terms of other parameter of Soundness, Average Debt Equity ratio of SBI is 15.43 and of ICICI Bank was 9.50 and average of Advances to Assets was 16.30 and 50.75 of SBI and ICICI bank which indicate ICICI Bank is better than SBI. The last parameter of Capital Adequacy is Average G-Security to Total Investment which is 82.60 and 68.05 and it indicate that SBI profitability is not risky than ICICI bank.

Asset Quality is one of the most critical areas in determining the overall condition of bank. The primary factor affecting overall asset quality is the quality of the loan portfolio and the credit administration program. The ability of management to identify, measure, monitor, and control credit risk is also reflected here. The evaluation of assets quality should consider the adequacy of the Allowance for Loan and Lease Losses (ALLL) and weigh the exposure to counter party, issuer, or borrower default under actual or implied contractual'
agreements. Gross NPAs (non performing assets) in Indian banking sector have declined sharply to close to 3.0 percent in 2006 (15.7 percent at and-March 1997). Net NPAs of the banking sector are now at close to one percent and the gap between the Gross and Net NPAs has narrowed over the years. Recovery of dues is also more than the fresh slippages. The finding through CAMEL model is that the ICICI Bank is in better position than SBI.

The average Gross NPAs to Net Advances of SBI and ICICI bank was 7.90 and 5.02 and Average Net NPAs to Net Advances of SBI and ICICI Bank was 7.90 and 5.02 and average Net NPAs to Net Advances was 3.25 and 2.46 respectively. In other two parameter i.e. Investment to Total Assets of SBI and ICICI bank are 36.55 and 30.19 and is Net NPAs to Total Assets are 1.36 and 1.11 respectively. In all these parameter ICICI Bank has keeping lower losses indicating that its of performance is letter than SBI.

Management Efficiency of the Indian Banks is related to Total Advances to Total Deposits, Business Per Employee and Profit Per Employee. All these indicator related to the income management meaning is that effectively utilization of deposits
into advances. The other two indicators are expenditure and profitability of the banks. Normally high expenditure is the reason for low profit. In the context of gradual deregulation of financial sector, several factors could have been at work: a significant shift of the best-practice frontier, driven by a combination of technological advances, financial innovation and different strategies by bank suited to their business philosophy and risk-return profit, changing composition of bank's input-output, and reduction in total cost due to improvements in overall efficiency. While it is difficult to pinpoint the relative mix of these factors in raising productivity, the bottom line is clear: Indian banks witnessed significant productivity improvements, in post reforms period. Private banks perform better than public sector bank due to use of latest technological upgradation of machines and employees.

Management Efficiency of sample bank were measured by CAMEL model. The management efficiency of public and private banks from 2000-01 to 2008-09 in terms of cost reducing in other words profit per employees is always increasing in SBI from 0.75 to 4.74 from 2000-01 to 2008-09 and ICICI Bank have recorded decreasing a from 11.45% to 11.00% from 2008-
01 to 2008-09 and in other two parameter i.e. Total Advances to Total Deposits of SBI and ICICI Bank reached from 46.78 to 73.11 and 42.93 to 99.98 and Business Per Employee SBI and ICICI Bank reached from 136.58 to 55.60 and 815.22 to 1154.00 from 2000-01 to 2008-09, this indicate that Private Sector Bank is performing better than Public Sector Bank on these two parameters.

Earning Quality of banks depend upon the Operating Profit, Interest Income and Non - Interest Income. Banks are primarily viewed as provider of services to customer. Banks also provides intermediation services through the collection of deposits and other liabilities and their applications in interest - earning assets, such as loans, securities and other investments. Deposits and other liabilities, together with real reasons (labour and physical capital) are defined as inputs, whereas that output set includes earning assets such as loans and investments. The Non-interest income of commercial banks in India can improved by diversifying into new product lines which releases pressure on bank profitability from traditional lines of business in competitive environment. In post liberalization period the Public Sector and Private Sector Banks has significantly improved
their earning quality, but overall Private Sector Banks are performing better than Public Sector Banks.

The Earning Quality is one of the most important parameter in CAMEL model. The important sector that provide gravity to this indicator are operating profit to average working funds, spread to total assets, net profit to average assets, average income to total income; non-interest income to total income. This indicates that profitability of the banks along with sustainability and growth. In case of ICICI Bank the operating profit were more in 2000-01 which some how decline in 2005 and 2006 and again started increasing 2.33% in 2008-09. While in case of SBI the operating profit to average working fund was 1.33 in 2000-01 which continuously increased till 2006 but decrease in 2006-07 and again increased to 2.05% in 2008-09. The overall performance of operating profits is more in ICICI than SBI. Regarding it to total assets, the ICICI Bank showed better percentage as compared to SBI, net profit to average assets is more in SBI than ICICI Bank. One of the most important in earning quality is interest income to total income. The reason behind it that the sensitive profitability of bank is based on interest. The SBI showed more than ICICI Bank the
reason that could be attributed to the larger advances and number of deposits which ICICI Bank had lower advances in case of non-interest income to total income. ICICI Bank had more other income than SBI which indicates that the private sector banks have more non-interest income than interest income.

It is widely accepted that the failure of many commercial banks was the trigger for the financial crisis. If policymakers can identify the factors responsible for liquidity stress in banks they could minimize the propagation of systematic bank failure risk. Indian banks have proved among the most resilient and sound banking institutions in the world. The drawback of it that the banking sector faces profitability pressures due to higher funding costs, market - to market requirements on investment portfolios. The causes of liquidity fragmentation can be broadly classified into the following categories; operative technical, policy and bank procedures. It should be noted that the first three classifications refer to the operations of the payments system while the last refers to the actual use of the system by participating banks. The Indian banking sector is highly regulated and is properly managed. Both the public
sector and private sector Banks are in sound position and is using their funds properly for profitability.

Liquidity is the last parameter of CAMEL model. SBI is performing better among the four parameters of it i.e. liquidity to total assets and G-securities to total assets. The average ratio of liquidity to total assets is 10.19 and 7.79 of SBI and ICICI bank respectively. The other parameter G-Securities to total assets averages are 29.95 and 20.69 of SBI and ICICI bank. It indicate that SBI is keeping excess liquidity to meet their liabilities and also higher investment in G-Securities to meet their obligations. The other two parameters in which ICICI bank is performing better are liquid assets to demand deposits and liquid assets to total deposits. The averages of these ratios are 87.41 and 140.64 on liquid assets to demand deposits and 14.15 and 15.31 on liquid assets to total deposits of SBI and ICICI bank respectively. The liquidity shows that public sector Bank liquidity is better against the total assets and private sector Bank liquidity is better than the deposits.

The overall findings is that in post liberalization era the Indian banking sector pattern of efficiency and technological change witnessed in Indian banking can be viewed as
consistent with expectations in an industry undergoing rapid changes in response to the force of deregulation. In reaction to evolving market prospects, a few pioneering banks might adjust quickly to seize the emerging opportunities while other responders. As deregulation gather momentum, commercial banks would need to devise imaginative ways of augmenting their incomes and more importantly their fee income so as to raise efficiency and productivity level.