Enhancing efficiency and performance of Public Sector Banks (PSBs) is a key objective of economic reforms in many countries including India. It is believed that private ownership helps improve efficiency and performance. Accordingly, the Indian government started diluting its equity in PSBs from early 1990s in a phased manner. It has to be analyzed whether the partial privatization of Indian banks had really helped them in improving their efficiency and performance.

**OBJECTIVE OF THE PRESENT RESEARCH:**

The main objective of the present research work is to study the financial performance of Public and Private Sector Banks in Post Liberalization era of SBI & ICICI Bank using CAMEL model.

**HYPOTHESIS:**

The hypotheses to be tested in the present research are “Financial performance of Private Sector Bank is better than Public Sector Banks in Post Liberalization Era” and "the Financial performance of Private Sector Banks is better than Public Sector Banks through CAMEL model ratio".

**SAMPLE SELECTION:**

The sample selection for the research work consist of one Public Sector Bank namely State Bank of India (SBI) and one the Private Sector Bank i.e. Industrial Credit and Investment Corporation of India (ICICI) Bank. The purpose of selecting these banks was that they are the top bank with regard to investment, advances, deposits and assets.
DATA COLLECTION:

The research work consists of secondary data only.

ANALYSIS OF DATA:

The analysis of the secondary data is done by the application of CAMEL model.

PERIOD OF RESEARCH:

The study is related to the banking sector in the post liberalization period. The present research work relate to the financial performance of Public and Private Sector Banks for the period of 2000 to 2009.

The present study is divided into six chapters along with comprehensive bibliography.

The first chapter being introduction, provide a glimpse of the evolution and growth of Indian banking. The chapter provides an insight to the causes and need of nationalization of Indian Banks. With the introduction of economic reforms in 1990's the Indian banking sector was also affected. In order to bring out development in this sector the Narsimham committee was formed for this purpose, to provided guideline for its development.

The second chapter discusses the need, causes and impact of reforms on the Indian Banking Sector. The chapter studies the various Committees Reports which were formed to provide guide lines so that the Indian banks operating in Public Private and Foreign Sector may work in a conducive
environment.

The third chapter elaborates on the profile of the sample selected for the research work. The chapter focuses on the financial aspect relating to the capital, assets, liabilities, number of branches, capital adequacy and technology.

The fourth chapter studies the financial performance of State Bank of India, and Industrial Credit and Investment Corporation of India Bank. The financial performance of these two samples have been analysed by the application of CAMEL model. The parameters that are considered in analyzing the financial performance are Capital Adequacy Ratio, Assets Quality, Management Efficiency, Earning Quality and Liquidity. These above parameters play a significant role in analyzing the financial performance of banking sector with the application of CAMEL model.

The fifth chapter provides the findings derived from the analysis of secondary data.

The last chapter makes an attempt to provide suggestions which may be helpful to the management and the companies operating in banking sector. The chapter contains the conclusive result of the research work being done.

FINDINGS:

Capital Adequacy Ratio measures the amount of a banks capital expressed as a percentage of its credit exposure. In India, according & Basel norms issued in April, 1992 all scheduled
commercial banks were required to maintain a Capital Risk Weighted Assets Ratio (CRAR of 8% w.e.f. 31.03.1995 & 9% from 31.03.2000); otherwise the bank will be treated as under capitalized. The CAR of SBI was 11.88% from 2000-01 to 2008-09 which is higher according to prescribed level. ICICI Bank CAR recorded lowest of 10.38 in 2003-04, which indicate that SBI is more financially sound than ICICI Bank. In terms of other parameter of soundness, mean of Debt equity ratio of SBI is 15.43 & ICICI Bank was 9.50 and Average Advances to Assets was 16.30 and 50.75 of the SBI and ICICI bank which indicate that ICICI is better than SBI. The last parameters of capital adequacy i.e. G-Security to total Investment which was 82.60 and 68.05. Which indicate that profitability of SBI is not risky than ICICI bank.

Asset Quality is one of the most critical areas in determining the overall condition of bank. 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 from 2000 to 2009. In other two parameter i.e. mean of Investment to Total Assets SBI and ICICI bank are 36.55 and 30.19 and is net NPAs to total Assets are 1.36 and 1.11 respectively.

Management Efficiency of both bank measured by CAMEL model. The Management Efficiency of Public and Private Bank
from 2000-01 to 2008-09 in terms of cost reducing, in order to profit per employee is always increasing in SBI from 0.75 to 4.74 from 2000-01 to 2008-09 and ICICI Bank have recorded decreasing from 11.45% to 11.00% from 2008-01 to 2008-09. The other two parameters i.e. Total Advances to Total Deposits of SBI and ICICI Bank shifted from 46.78 to 73.11 and 42.93 to 99.98 and Business per employee of SBI and ICICI Bank shifted from Rs. 136.58 lakh to Rs. 55.60 lakh and Rs. 815.22 lakh to Rs. 1154.00 lakh from 2000-01 to 2008-09. It is indicating that Private Sector Bank is performing better than Public Sector Bank on these two parameters.

Earning Quality is one of the most important parameter in CAMEL model. It provides gravity of Banks. These indicators 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. In case of ICICI Bank the Operating Profit were move in 2000-01 which decline in 2005 and again starting increasing 2.33% in 2008-09. While in case of SBI the Operating Profit to Average Working Fund is 1.33 in 2000-01 but should a decreasing trend 2006-07 and again increase to 2.05% in 2008-09. The overall performance of Operation Profits more in ICICI than SBI. Regarding spread to total assets, the ICICI Bank showed higher percentage as compared to SBI, Net Profit to Average Assets in higher in SBI than ICICI Bank. One of the most important of Earning Quality
is Interest Income to Total Income. The reason behind is that the sensitive profitability of bank is based on interest. The SBI showed higher profitability than ICICI Bank the reason that it could be attributed to the large in advances and number of deposits which ICICI Bank had lower advances in case of interest income to total income. The ICICI had higher non-interest income than SBI which indicate the Private Sector Banks having more Non-Interest Income than Interest Income indicating that other sources of income constitute of the revenue.

Liquidity is the last parameter of CAMEL model. SBI is performing better among the four parameters i.e. Liquidity to Total Assets and G-securities to Total Assets. The mean 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 indicates that SBI is keeping excess liquidity to meet their liabilities and also higher investment in G-Securities to meet their obligations. In other two parameters, the ICICI Bank is performing better than SBI i.e. Liquid Assets to Demand Deposits and Liquid Assets to Total Deposits. The mean of these ratios are 87.41 and 140.64 of Liquid Assets to Demand Deposits and 14.15 and 15.31 of Liquid Assets to Total Deposits of SBI and ICICI Bank respectively. The liquidity shows that Public Sector Bank is better in total Assets and Private Sector Bank liquidity is better in Deposits.
SUGGESTIONS AND CONCLUSION:

The Indian banks are one of capital sound bank of the world. None of the bank operating in India failed after liberalization. After liberalization a large number private banks started operating in India. The private bank are following the norm of RBI in terms of capital adequacy Ratio, but for safety reasons there is a need to increase at least one percent higher CAR of Private Sector Bank than Public Sector Bank. The debt equity ratio should be reduced by SBI upto ICICI Bank. SBI showed effectively unused their assets into advances. ICICI Bank is required to increase their investment in G-Security for reducing their uncertainty on income and safety of their investment.

The NPAs of Indian banks are high but, in case of Public Sector Bank is higher than private sector bank. There is a need to fix special norms by RBI e.g. reduce the NPAs. The Private Sector Banks need to improve their total investment against the total assets. The banks should reduce their NPA by adopting various measures within the constraints of RBI guidelines. The banks should declare the thrust area for loans and advances. A bank may choose consumer loans or corporate loan. The Banks should make the best use of their branch network, to raise low cost deposits to attract funds of the banks.
Technology has affected all the sectors around the world. The banking sector is also affected by it. The technology not only improve the efficiency but also reduced the cost. The Public Sector Banks were very slow in adopting the technology and cost reduction. There is a need for Public Sector Bank in increase the Profit Per Employee, Business Per Employee and converting their deposits into advances by adopting technology i.e. information technology, e-commerce etc. Through the application of information technology would be able and reduce their cost to some extent.

Earning Quality of Public Sector Bank as well as Private Sector Bank is poor. In case of Public Sector Banks income from interest is better but their income from operating profit and non-interest income (i.e. fee, commission etc.) is very low. The public sector bank should make efforts in the area in order to improve their overall profitability. The Banks have to work in this area in order to improve the financial performance.

The higher liquidity shows the low profitability but low liquidity may cause of loss a credit. The Public Sector Bank have excess liquid against the deposit. The Public Sector Bank needs to utilise their liquidity in such a manner which will enable them to garner higher profit.