Banks play a positive role in the development of a country as depositories of community's savings and purveyors of credit. Indian Banking had aided the economic development during the last sixty years (1949-2009) in effective ways. The banking sector had shown remarkable responsiveness to the needs of planned economy. It had brought about a considerable progress in its efforts in deposit mobilization and has taken a number of measures in recent past in accelerating the rate of growth of deposits. As recourse of this, the commercial banks have opened a number of branches in urban semi-urban and rural areas. Banks have introduced a number of accelerative schemes to faster economic development.

The activities of commercial banking have grown in multi-directional ways as well as in multi-dimensional manner. Banks have been playing a catalyst role in area development, backward area development, extended assistance to rural development, helping agriculture, industry, international trade in a significant manner. In other ways, commercial banks have emerged as the key financial agencies for rapid economic development.
OBJECTIVE OF THE PRESENT RESEARCH:

The objectives of the present research are:-

1. To study the financial performance of Public and Private Sector Banks in Post Liberalization Era.
2. To study the financial performance of SBI & ICICI Bank using CAMEL model.
3. To understand the financial performance of the Indian banks.
4. To describe the CAMEL model of ranking.
5. To analyse the performance of Indian banks through CAMEL model and provide suggestions for improving their financial performance.

HYPOTHESIS:

Hypothesis are assumptions which are made to validate the objective. The hypotheses to be tested in the present research are:-

1. Financial performance of Private Sector Banks is better than Public Sector Banks in post liberalization era.
2. The financial performance of Private Sector Banks is better than Public Sector Banks through CAMEL model approach.
SAMPLE SELECTION:

The sample selection for the research work consist of one Public Sector Bank namely State Bank of India and one Private Sector Bank i.e. Industrial Credit and Investment Corporation bank. The research work involves purposive sampling. The Banks were selected on the basis of their ranking with regard to investment, advances, deposits and assets.

DATA COLLECTION:

Any information which is useful is called data. The research work is based on secondary data. The secondary data is based on information seeked from annual reports, research journal, periodical, News paper and related websites.

ANALYSIS OF DATA:

The analysis of the secondary data was carried out 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 from 2000 to 2009.

TYPES OF RESEARCH:

The research work is analytical in nature as for it is based on secondary data.
SCOPE OF STUDY:

The performance of banking sector especially in the post liberalization period has seen vast changes. The present study will provide an in-depth analysis of financial performance of both Public and Private Sector Banks operating in India.

The research work would be immense help to the managers, top-level financial experts, academician and the researchers who are continuously striving for bringing about excellence in the performance of Indian Banking Sector.

The present study is divided into six chapters along with a 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. As the economic development, started with the introduction of economic reforms, the Indian banking sector needed the reforms, and the Narsimham committee was formed for this purpose to provide guideline for its development.

The second chapter discusses the need, causes and impact of reforms on the Indian Banking Sector. The financial liberalization process in India contributed towards improving the functioning of institutions and markets. Prudential regulation
and supervision has improved. The combination of regulation, supervision and safety have limited impact of unforeseen shocks on the financial system. In addition, the role of market forces in enabling price discovery has enhanced. The financial liberalisation process has also enabled to reduce the overhanging of non-performing loans: this entailed both a 'stock' (restoration of net worth) solution as well as a 'flow' (improving future profitability) solution. The chapter studies the recommendation of various committees 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. India has about 88 commercial banks including 30 private banks, 27 Public Sector Banks and 38 foreign banks. The country has an aggregate of 53,000 banks branches and 17,000 ATMs. Public Sector Banks dominate the segment with 75% of the total assets of the industry held by them.

**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 two
samples have been analysed by the application of CAMEL model. CAMEL is basically a ratio-based model for evaluating the performance of banks. The parameters, which are considered in analyzing the financial performance, are net profit, return on investment, return on assets, earning per share, return of net worth etc. The 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 incorporates the conclusive result of the research work being done.

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.
The present research seeks to assess the financial performance of the Public and Private Sector Banks operating in India in post liberalization era. The Indian banking sector has been dominated by Public Sector bank in number of branches and assets. It is observed that the public sector bank has remained unchanged in terms of number over the last decades. In the era of liberalization where the Indian Banks are trying to compete with global banks, it is the need of the hour to study the efficiency and their performance in the post liberalization period. It is in this context that the present research has been undertaken. The public sector bank constitutes about 75% of the total commercial banking assets. It is glaring to note that the assets share of public banks have decline from 90% in 1980 to 68% in 2007.

Though the number of domestic private banks had decline since 1980, but the assets of these banks have gone upto 20% in 2007. The total banking assets constitute more than 92% of GDP at the end of March 2008, and the commercial banking assets constitute more than 95% of total banking assets. Even though the number of foreign banks have gone up significantly, the assets share had not increased correspondingly. The total assets of public sector bank in 1980 were Rs. 1649.56 billion, which increased to Rs. 5638.22 billion in 2000 and further to
12,206.56 billion in 2007. During the financial reform the total assets of banking sector had recorded higher growth, and since 1999, the total assets of the banking sector has gone significantly. The total commercial banking assets in 1999 was Rs. 6531.37 billion which increased to Rs. 17854.76 billion.

In case of Private Sector Bank the total assets was Rs. 90.26 billion which increased to Rs. 686.30 billion in 1993 and further to Rs. 3728.88 billion in 2007.

**FINDINGS:**

The analysis of financial performance in banks has been done through the application of CAMEL model. The findings of the study are as follows:

Capital adequacy ratio measures the amount of a banks capital expressed as a percentage of its credit exposure. In India, according to 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 high according to prescribed level. ICICI bank CAR recorded lowest of 10.38 in 2003-04, which indicate that SBI is more financially sound position than ICICI bank. In terms of
other parameter of soundness mean of Debt equity ratio of SBI was 15.43 & ICICI was 9.50 and average advances to Assets was 16.30 and 50.75 of the SBI and ICICI bank which indicate ICICI Bank is better than SBI. The last parameters of Capital Adequacy i.e. average G-Security to total investment was 82.60 and 68.05 which indicate the SBI bank profitability is not risky than ICICI bank.

Asset Quality is one of the most critical areas in determining the overall condition of bank. The mean of 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. Investment to Total Assets of SBI and ICICI bank are 36.55 and 30.19 and 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 or 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 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 moved 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, which indicates that Private Sector Bank is performing better than Public Sector Bank on these two parameters.

The Earning Quality is one of the most important parameter in CAMEL model. The important sector that provide 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 moved in 2000-01 which had declined in 2005 and 2006 it again starting increasing to 2.33% in 2008-09. While in case of SBI the operating profit to Average Working Fund in 1.33 in 2000-01. The overall performance of operation profits are more in ICICI Bank than SBI. Regarding spread to Total Assets, the ICICI Bank showed more 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 is that the sensitive profitability of bank is based on interest. The SBI showed more profit than
ICICI Bank the reason is 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 more non-interest income that SBI which indicate the Private Sector Banks having more non-interest income than interest income indicating that other sources of income constitute that part of revenue.

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 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 averages of these ratios are 87.41 and 140.64 on 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 liquidity is better against the 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. No one of the bank failed after liberalization. After liberalization a large number of Private Banks started operating in India. Hence there is need to study the soundness of Private Banks for they. The Debt Equity Ratio should reduce by SBI upto ICICI bank. SBI also needs to effectively utilized 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 it is higher than Private Sector Bank. There is a need to fix special norms by RBI in order to reduce the NPAs. Private Sector Banks need to improve their Total Investment against the Total Assets. The banks should charge price for their services in a remarkable manner and should plug all leakage of income. Apart from service charges income from letter of credit; guarantee should be tapped within prudential limits.

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 reduce the cost. The Public Sector
Banks were very slow in adopting the technology and cost reduction. There is a need for Public Sector Bank to increase the profit per employee, Business per employee and converting their deposits into advances by adopting technology i.e. information technology, e-commerce etc.

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. There is a need to improve the public bank in the area, in order to improve their overall profitability. The Banks have to work on 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 their deposit. The Public Sector Bank needs to utilise their liquidity in such a manner which will enable them to garner higher profit.

The banks should reduce their NPA by adopting various measure 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. Management of market will be essential apart from appropriate structure of the instrument for raising funds.

The measures, which banks can undertake to raise its capital base and improve its capital adequacy ratio are:

1. Augmenting capital through equity and /Debt route.
3. Retaining earning on profits.
4. Improving Asset quality.