

# COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF PRIVATE SECTOR AND PUBLIC SECTOR BANK USING CAMEL MODEL

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## **Abstract**

Financial institutions are the pillars of the economic system of any country. It comprises banks, credit unions, investment companies, insurance companies, and mortgage companies. They provide financial support and services to their customers. Banks are considered as one of the important contributors to the development of the economy of the country. The present paper seeks to conduct a comparative study of the financial performance of the public and private sector banks of the country to understand the financial decision-making efficiency of the bank. The research instruments used are Capital adequacy, Asset quality, Management capability, Earnings capacity, and Liquidity (CAMEL) Model and t-test. The analysis reveals that both the banks have managed their capital adequacy ratio well above the minimum standard of 8% as per Basel III. Further, it found that there is a significant difference in capital adequacy, earning quality, and liquidity of SBI and ICICI Bank. Some ratios indicate a significant difference in management efficiency like operating expenses to total assets, business per employee, and cost to income ratio. Asset quality ratios indicate no significant difference in asset quality of SBI and ICICI Bank. This study helps to understand the quality of financial decisions taken by the public and private sector banks. It can be concluded that public sector banks need to focus on strategic decisions to sustain competition with private banks. They require to be more professional like private players in the banking business.

**Keywords:** Adequacy, Capital, Efficiency, Performance, Quality