Research Paper COMMERCE

Impact of Banking Sector Reforms in India in t`he Post-Reforms Era

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ABSTRACT

The major banking sector reforms in India have started about two decades earlier, but their outcome is visible now. With the adoption of liberalization, privatization and globalization measures helped to attain major changes in Indian banking sector. The banking sector being the life line of the economy and assumed with utmost importance in the financial sector reforms. The reforms were aimed at to make the banking sector more competitive, versatile, efficient, productive to follow international started and to free from the directions and control of Government. In order to check the impact of banking sector reforms in economic development, ten years data from 2001-02 to 2010-11 have been analyzed. Augmented Dickey-Fuller test, Co-integration test, financial data analysis, CRAR, and Bank Efficiency Scores are the statistical tools employed for the study. The empirical result shows the presence of long-run relationship among the dependent and independent variables. The overall findings inform that banking reforms in India has adequately and positively impacted on the performance of economy. Performance of all bank groups during the sample period is found satisfactory. Efficiency of banks and credit disbursement has been systematized since the implementation of banking reforms in India.

KEYWORDS Banking reforms, Economic development, Scheduled commercial banks, Post-reforms era, Non-performing assets, Indian banking sector.

1. INTRODUCTION

Banking industry plays a pivotal role in the economic development of a country; effective existence of banking system boosts up money circulation and controls surplus money as and when required. Accepting deposits and lending loans is the prime banking business and it is backed with multiple add-on services. Indian banking industry, the backbone of the country's economy, has always played a key role in prevention the economic catastrophe from reaching terrible volume in the country. It has achieved enormous appreciation for its strength, particularly in the wake of the worldwide economic disasters, which pressed its worldwide counterparts to the edge of fall down Dwivedi et al. (2011). The entry of private sector banks in India, the last two decades witnessed many functional development and spreads banking habits among different inhabitants. The social and economic development largely relies on the well-established banking industry in a nation. The operational efficiency and financial performance of banks always puts an impact on the comfort of the economy. Bank connects both inland and abroad economy; it may affect the domestic economy in a positive or negative way as per the reform policies of Government. Reforms in banking sector are viewed as intervention of Government in the banking industry to provide a solution for prevailing anomalies in the practice of banking business. There are extensive reasons like capital adequacy, structural, administration rules and ownership issues are inducing the regulator to reform their banking sector. Predominantly, banking reforms are resulted towards financial development in all corollaries and will pave the way for boosting economic performance. In the post-independence era, all activities in banking sector have been governmentally controlling through the Reserve Bank of India as a means to implement its development strategy.

Reserve Bank of India has taken pretty measures to ensure safety and consistency of the banking system in the country along with measures to support banks to play an efficient role in accelerating the economic growth process in the post liberalization era. The major objective of Indian banking sector reforms was to promote operational independence, flexibility and competition in the system and to augment the banking standards in India to the global standards of banking. Although the Indian banks contributed noteworthy results but possess certain weakness erosion in profitability, diseconomies of scale and tough competition with private sector banks. Introduction of new banking sector reforms whether beneficial or not to Indian bank, hence this study attempted to test the impact of banking sector reforms in India.

2. STATEMENT OF THE PROBLEM

The main aim of banking sector reforms was to develop a diversified, efficient and competitive banking system with the purpose of improving the distribution efficiency of funds through operational flexibility, financial viability and intensification of institution. Reform measures were instigated and sequenced to develop and conducive environment for banks to overcome the external irregularities. Firstly, these measures were related managed structure of interest rates, more pre-emption through reserve requirements and credit distribution to all sectors. Series of interest rate deregulation has been a significant constituent of the reform process which has conveyed superior efficiency to resource distribution. Secondly as part of reform package, increasing the capital base of equity capital contribution by the common investors. Thirdly the reform is related with enhancing efficiency and productivity through developing healthy competition. Fourthly reform aims for consolidation in the banking sector, that is, it facilitates for merger and acquisition. Fifthly it paves the way for setting up of institutional and legal reforms with the conduction of regular business. Sixthly, it enhances the transparency and disclosure standards in the banking sector. Seventhly, it helps to draw regulatory framework and supervisory practices like capital to weighted-risk assets ratio and investment fluctuation reserve out of profits and so on.

As per the recommendations of the Narasimham Committee (NC) in 1991-92, there are wide-ranging reforms like improving the financial viability, macro-economic policy framework, autonomy from Government directions, allowing private sector banks, capital market liberalization, enhancing financial health and competitive edge, and bringing operational flexibility. It also seeks reduction in statutory lending rate and

cash reserve ratio, transparent norms for private sector banks, branch licensing policy relaxation have been taken would help the highly regulated banking system to transform into new arena. These initiatives have produced some positive outcomes in the economy. In addition to this, another report was submitted in the beginning of fiscal 1998, which sets the rapidity for the next generation of reforms in banking sector. This report includes merger options, international representation, enhancing capital adequacy, personnel recruitment, control under RBI, and non-banking operations. Hence the various reform actions introduced in India have certainly strengthened the Indian banking system in preparation for the international confronts ahead.

3. NEED FOR THE STUDY

Banking business is the most intensely synchronized industry since it is highly dealing with others money. For centuries, Indian banks have delivered a significant role in shaping the financial system and thereby facilitates for economic growth. This fundamental task of the banks in India persists even today although the inclination in banking delivery has undergone a sea change with the development in handling of information technology as well as design and delivery of customer centric service. The recent global financial turmoil has prompted collapse of many strong economies; caused financial loss and created non-performing assets to banks. The stable and vibrant banking sector is the real accelerator for the development of any economy. Indian banking has come a long way since India get on the reforms path about two decades. The reforms have facilitated incredible change in the banking sector and also gearing up to embrace the Basel III regime, to target with the international standards. Banking sector is measured as a flourishing and the secure in the banking world. Indian banking industry consists of public sector banks, private sector banks and foreign banks and also has co-operative banks and regional rural banks. During March 2000, there were 101 Scheduled commercial banks in India out of which 19 were nationalized banks, 8 belonged to SBI Group, 23 were old private sector banks, 8 were new private sector banks and 42 were foreign banks.

The banking sector reform process has moved the focal point of public sector dominated banking system from social banking to a more efficient and profitable industry. Although the reform has influenced in the private sector altering the government as the source chest for public sector banks, the combination of private equity capital led to shareholder challenges to bureaucratic decision making. Public sector banks also face escalating competition not only from private and foreign banks but also tough competition arising from well-developed non-banking financial intermediaries and capital market entities. This competition facilitates to improve efficiency in the banking sector and causes for a switch from traditional paper based banking to screen based banking, use of state of the art technology, installation of ATMs, online banking are the important milestone in the banking history. These are all resulted with the implementation of banking sector reforms in India.

4. REVIEW OF LITERATURE

According to Ajayi (2005), banking reforms occupy several elements that are exclusive to each country based on historical, economic and institutional imperatives. Banking reforms are implemented to improve the intermediation role of banks. The reforms ensure that banks are well positioned to greatly mobilize savings and optimally allocate these mobilized savings in form of credit to profitable investments. Banking sector reforms is an integral part of the economic reform package. The reform involved the liberalization of interest rates, promotion of market-based system of credit allocation, enhancing competition, and efficiency of the regulatory and supervisory framework (Jegede et al. 2004). Financial reforms (Ebong 2006) are intentional policy response to correct alleged or impending financial crises and subsequent failure. Financial reforms were designed to enable the banking industry develop the required resilience to support the economic development of a nation by proficiently performing its function of financial intermediation (Lemo, 2005). Asamoah (2008) scrutinized the impact of the financial sector reforms on savings, investment, and growth of gross domestic product in the Ghana economy. Mwenda et al. (2011) explored the effects of market-based financial sector reforms on the competitiveness and effectiveness of commercial banks, and economic growth in Zambia.

Biresh et al. (2011) examined the performance of banks in India in post transition period and concluded that the positive trend of the reform process is visible through the increase in technical efficiency over the years of the post transition period. Khurana et al. (2011) analyzed the Performance of Public Sector Banks and concluded that there is a need for increased absorption of enhanced technological capability by several banks to further argument yield of the banking sector. Saez (2001) studied financial reforms in India and China. These countries were selected due to their similar development patterns. This paper argued that after banking sector reforms India was able to overcome the problems of bad debts by allowing new entrant in the market. While China tried to restore its state owned banks by way of asset management institutions. Shafique (2007) analyzed impact of banking sector reforms on economic growth of Pakistan and explored positive relationship between banking reforms and economic growth.

Banking sector performs three primary functions in an economy of a country: the operation of the payment system, the mobilization of savings and the distribution of savings to investment projects. By allocating capital to the highest value use while limiting the risks and costs involved, the banking sector can exert a positive influence on the overall economy, and is thus of wide macroeconomic significance (Bonin et al. 1999, Jaffe et al. 2001, Rajan et al.1998, Wachtel, 2001). Vashisht (2004) examined the latest international developments, which has distorted the environment in which commercial banks drive. Globalization has expanded economic interdependence and interaction of countries deeply. Under the administration of globalized environment, the financial performance of the commercial banks has altered and the commercial banks will face new challenges and opportunities in the future. This sector is tremendously competitive and recorded as growing in the right trend (Ram Mohan, 2008). Kumar et al.(2008) analyzed that the results of logistic regression analysis provides that the factors like market share, profitability, and asset quality do not have any significant impact on the overall technical efficiency of Indian public sector banking industry.

Ballabh (2001) analyzed challenges in the post-banking sector reforms. With globalization and changes in technology, financial markets, world over, have become closely integrated. For the survival of the banks, they should adopt new policies/ strategies according to the changing environment. Madhavankutty (2007) concludes the banking system in India has attained enough maturity and is ready to address prudential management practices as comprehensively as possible, which an integral part of policy is making. Subbaroo (2007) informed the Indian banking system has undergone transformation itself from domestic banking to international banking. Tiwari (2005) projected a view that among the financial intermediaries banks and financial institutions are vital players in running the funding activities of the industries. In the bank based system the financial institutions dominate in the aggregate assets of the financial system while in market based system, equity market has largest share of assets in the aggregate assets of the financial system. Uppal et al (2007) concluded that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks.

5. OBJECTIVE OF THE STUDY

This study will seek to analyze the major reforms of the Indian banking sector and to find out the impacts of these reforms. In order to know the impact of reforms in banking sector in India, this present study is carried out with the following objectives.

1. To examine the development of economy after the introduction of banking sector reforms.
2. To analyze the impact of banking sector reforms on the performance of Indian scheduled commercial banks_in India.
3. To study the efficiency of Indian banking industry in the post-reform era to congregate requirements of the economy.
4. To analyze the support of banking sector reforms in India for the credit delivery to priority sector.

6. RESEARCH METHODOLOGY

The paper examines the impact of banking sector reforms in India in terms of economic development, performance of banks and efficiency in the post-reform era. This study hypothesized that banking reforms in India have a significant impact on the economic growth. The study employs secondary data that are mainly available in published annual reports of several banks, RBI bulletin, various reports on Indian banks, publications of Indian Bank Association, Indian Institute of Bankers, National Institute of Bank Management, various journals on related fields, etc. With the improvement of information technology, it was to collect required data through the online. Also there is a number of web sites were referred into for the study. This study collects data after the recommendations of second NC report that is from the year 2001-2002 to 2010-2011. The current research attempts have been conducted on Indian banking sector consists of nationalized banks, state bank of India and its associates, old private sector banks, new private sector banks and foreign banks. The financial performance of the banks through borrowing and lending has been made for 10 years. The model is developed on the empirical study of eminent researcher and economic development is estimated applying the econometric techniques of Augmented Dickey-Fuller (ADF) unit root test, and Co-integration test. The impact of banking sector reforms on the performance of commercial banks have been analyzed by checking financial data analysis and Capital to Risk-weighted Assets Ratio (CRAR). The efficiency of Indian banking industry in the post-reform era is tested through Bank Efficiency Analysis.

7. ANALYSIS AND INTERPRETATION

7.1. Impact of Banking Sector Reforms in Economic Development

This study examines the impact of banking reformed on the performance of economy in India after the implementation of NC-II recommendation. Banking reforms is an integral part of economic development stimulus; the reform includes liberalization of interest rates, continuous credit supply, savings and investment policies, industrial growth policies and inflationary pressures. Hence by taking these variables as reforms in banking sector the economic development measured.

Augmented Dickey-Fuller Test

This study has been constructed by using proxy Gross Domestic Product (GDP) which is the dependent variable as a function of Interest Rate (IR), Credit Supply (CS), Savings and Investment (SI), Industrial Finance (IF) and Inflation Pressure (IP) prevailing in the economy. The Augmented Dickey-Fuller test has been used to investigate its stationarity along with its order of integration. The results of the ADF test for the different variables are revealed in the table-1.

Table No – 1: ADF Unit Root Test Results

Variables	ADF Test	ADF lag	5% Mackinnon Critical Value	Order of Integration	Stationary Level @ 5%
Gross Domestic Product	-2.1236	1	-2.9969	I(1)	Good
Interest Rate	-3.0884	1	-2.9969	I (1)	Good
Credit Supply	-5.8393	1	-2.9969	I (1)	Good
Savings and Investment	-4.7639	1	-2.9969	I (1)	Good
Industrial Finance	-6.1283	1	-2.9969	I (1)	Good
Inflation Pressure	-3.4755	1	-2.9969	I (1)	Good

Source: Bankers Report

It is ascertained from the above table-1 that all the variables are integrated of order one, which shows, all variables are significant at 5% Mackinnon critical value with the order of integration I(1). All factors are equally possess the stationarity level at 5% significance is good. It evidences that all variables are completely boost the GDP without any bias. The results of ADF test ranges from -2.1236 to -6.1283 for all variable with the significance level of 5%.

Co-integration Test

In order to determine the existence of long-run relationship among the variables, co-integration test has been performed with the null hypothesis (H_0) of no co-integration exist in the long-run as contrary to that alternative hypothesis (H_1) of co-integration exist in the long-run. If the residual is stationary the different sets of variables are co-integrated. The co-integration test has been utilized to bring the results, which is presented in the table-2.

Table No – 2: Co-integration Test Results

Variables	ADF Test	ADF lag	5% Mackinnon Critical Value	Order of Integration	Stationary Level @ 5%
Residuals	-4.892	1	-2.9969	I (1)	Good

It is identified from the table-2; the co-integration level between the dependent and independent variables are analyzed. It was computed by taking data during the sample period from 2001-02 to 2010-11, there were a long-run co-integration exist among the dependent variable gross domestic product and independent variable interest rate, credit supply, savings and investment, industrial finance and inflation pressure. It indicates that gross domestic product in Indian economy are largely depend on the banking sector reforms.

7.2. Performance of Indian Commercial Banks

Post banking sector reform quantitative assessment of the Indian banking sector has been conducted by examining trends in profitability, capital position and other business parameters for all the banks. Data were presented in the Table-3 relating to performance of Indian commercial banks for the years from 2006-07 to 2010-11. This analysis has been restricted to last five years of the sample period.

Table No – 3: Performance of Indian Commercial Banks

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of banks	82	79	80	81	80
No. of offices	59702	63705	67386	72390	76696
No. of employees	896435	905532	937445	950178	1004182
Business per employee (in lakh)	521.91	640.18	753.44	867.59	987.38
Profit per employee (in lakh)	3.48	4.72	5.63	6.01	7.00
Capital and Reserves & Surplus	219179	315488	367947	430161	509813
Deposits	2696937	3320062	4063201	4746920	5616432
Investments	950982	1177330	1449551	1729006	1916053
Advances	1981236	2476936	2999924	3496720	4298704
Interest income	231675	308482	388482	415179	491665
Other income	43041	60391	75220	79268	79564
Interest expended	142420	208001	263223	272084	298891
Operating expenses	66319	77283	89581	100028	123129
Cost of funds (COF)	4.82	5.80	5.96	5.10	4.73

Return on advances adjusted to COF	4.12	4.12	4.53	4.19	4.45
Wages as % to total Expenses	17.32	14.01	13.6	14.85	17.05
Return on Assets	1.05	1.12	1.13	1.05	1.10
CRAR	12.28	13.00	13.98	14.54	14.17
Net NPA ratio	1.02	1.00	1.05	1.12	0.97

Source: Profile of Banks – RBI Publication

Table-3 provides aggregated data on the profitability, capital and other business parameters of all banks. The number banks are prevailing around 80 and there is an increasing trend persists on the number of branches, which touched the mark 76696 in the financial year 2010-11. Similarly, the number of employees working in the banking sector also tremendously increasing and touched the mark of one million in the same financial year. Business per employee is Rs. 521.91 lakhs in 2006-07 and it reached Rs. 987.38 lakhs in 2010-11. Profit per employee seems doubled with the period of five years. Deposits, investments, advances and interest income also apparently doubled during the period of five years. Similarly, interest and operating expenses is also increased two fold in the same period. CRAR position has also been increased to 14.17 from 12.28 and net NPA ration is declined to 0.97 in 2010-11 from the peak of 1.12 in 2009-10. Cost of funds is calculated as interest paid on deposits and borrowing divided by average of current and previous year's deposits and borrowings. Cost of funds position is satisfactorily found in the sample period.

Table No – 4 Capital to Risk Weighted Assets Ratio–Bank Group-wise

Bank Group	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11
Nationalized Banks	10.2	10.9	12.2	13.1	13.2	12.3	12.4	12.5	13.6	13.1
SBI & its Associates	12.7	13.3	13.4	13.4	12.4	11.9	12.3	13.2	12.7	12.6
Old Private Sector Banks	11.9	12.5	12.8	13.7	12.5	11.7	12.1	14.1	14.3	14.1
New Private Sector Banks	11.5	12.3	11.3	10.2	12.1	12.6	12.0	14.4	15.4	14.0
Foreign Banks	12.6	12.9	15.2	15.0	14.0	13.0	12.4	13.1	15.1	14.1

Source: Report on Trend and Progress of Banking in India 2009-10 of RBI

Under Basel II norms, capital to risk-weighted assets ratio of Indian banks during 2011 was at 14%, it is far above the stipulated mark of 9%. As per the RBI estimates, the CRAR of Indian banks under Basel III will be 11.7% during the middle of 2010 when compared with the mandate CRAR level of 10.5%. This evidences that Indian banks have effectively managed to meet up the increased capital requirement under the amended legislation. Prudential directive typically describes the acceptance of best practices as stipulated Basel norms. As far as the individual banks group concerned, all bank groups are possessing CRAR at satisfactory level. It indicates that performance has been improved with the launch of banking sector reforms in India.

7.3. Bank Efficiency Analysis

Data envelopment framework employs principles of linear programming to inspect how a particular variable or decision making unit operates relative to other variable or decision making unit. While applying this study, efficiency can be measured through the ratio of output to input. If the variables are two or more, this can be addressed by constructing an efficiency frontier from weighted outputs and weighted inputs. Variables on the frontier are assigned an efficiency score of 1 while those inside receive scores ranges from 0 to1. In this study, loans, non-interest income and deposits are taken as outputs on the other hand number of branches, equity capital and total operating expenses are taken as inputs. Based on data envelopment framework the banks categorized by ownership; namely, nationalized banks, SBI group, old private, new private and foreign banks. Table-5 presents efficiency scores from 2001-2012 under the two decision making unit.

Table No – 5: Bank Efficiency Analysis

Bank Group	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 -06	2006 -07	2007 -08	2008 - 09	2009 - 10	2010 - 11
Nationalized Banks	0.57	0.61	0.64	0.63	0.61	0.69	0.72	0.72	0.78	0.81
SBI & its Associates	0.59	0.66	0.66	0.71	0.75	0.79	0.80	0.83	0.82	0.83
Old Private Sector Banks	0.65	0.75	0.70	0.67	0.72	0.83	0.88	0.92	0.87	0.86
New Private Sector Banks	0.75	0.82	0.80	0.80	0.84	0.83	0.83	0.86	0.89	0.96
Foreign Banks	0.87	0.84	0.85	0.92	0.85	0.84	0.87	0.92	0.93	0.98

Source: Annual Reports of the Reserve Bank of India

It is concluded that the perceived low efficiency of nationalized banks and state bank group appears to result from their connotation of generating deposits in addition to other outputs and their operation areas and methods. Their profitability position also suffered in the process in the recent years both the banks have earned low profits. On the other hand, both private banks and foreign banks have showed high efficiency over a period of time than their counterpart of state owned and nationalized banks. The units under all groups of banks have enhanced their efficiency in the recent times when compared with 5 or 10 years back. Hence all the scheduled commercial banks together enhanced their efficiency constantly up to the sample period.

7.4. Priority Sector Lending

Priority sector lending intends to promote and increase the availability of credit to the neglected sector of economy. Agriculture and micro and small business units are two major sectors that receive priority sector lending apart from education, housing, industry etc. At present the target for aggregate loans to the priority sector is 40% of the Adjusted Net Bank Credit (ANBC) or the credit equivalent of Off-Balance sheet Exposure (OBE), whichever is higher for domestic banks and 32% for foreign banks. Priory sector loans to individual women and housing loans to economically weaker sectors and lower income groups segments may be considered as loans to weaker sections in addition the existing profile. A scheme of tradable priority sector lending certificates has recently materialized as a potential strategy to improve efficiency and inclusion of the poor in the priority sector.

Table No – 6: Priority Sector Advances (Rs. In billions)

Bank Group	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 -06	2006 -07	2007 -08	2008 - 09	2009 – 10	2010 - 11
Public Sector Banks	1712 (43.1)	1998 (41.2)	2445 (43.6)	3070 (42.8)	4097 (40.3)	5212 (39.6)	6324 (40.6)	7201 (42.5)	8646 (41.7)	10215 (41.0)
Private Sector Banks	215 (38.8)	366 (44.1)	489 (47.3)	699 (43.6)	1065 (42.8)	1438 (42.7)	1643 (44.3)	1902 (46.8)	2156 (46.0)	2491 (46.7)
Foreign Banks	134 (34.2)	146 (33.1)	180 (34.1)	238 (35.3)	304 (34.4)	378 (33.4)	436 (33.5)	555 (34.2)	603 (35.1)	667 (39.7)

Source: RBI Annual Report

It is evident from the above table that the priority advances has been increased consecutively every year and it meets the requirement of ANBC or the credit equivalent of OBE. In 2006-07 few public sector banks failed to meet that criterion of ANBC or OBE and plunges the overall ANBC ratio to 39.6. Similar trend had prevailed in 2001-02 among private sector banks. Banking sector reforms established the destiny for the weaker sections by implementing suitable norms for delivering credit. The progressive trend of credit disbursement to priority sectors can be explained with the help of following chart.

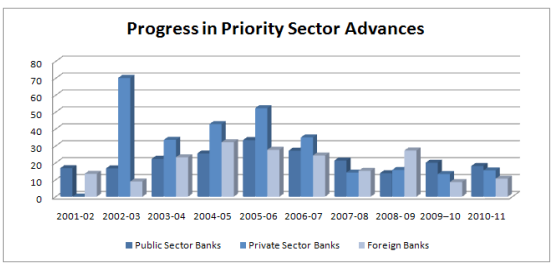

Figure No – 1: Progress in Priority Sector Advances

Progress in priority sector advances has been checked with the percentage increased than its previous level. Simple multiplication has been calculated to find the percentage increased year by year. This trend shows that there is consistent increase resulted in the middle of sample period for all banks. Due to rapid industrialization, credit disbursement to priority sectors has been significantly reduced drastically. The noteworthy and interesting fact about that there is no relationship between the ANBC and credit progress during the sample period. Almost the priority sector advances were delivered to meet the ANBC or credit equivalent of OBE. The lowest ANBC is 39.6 and highest is 43.6 for the public sector banks, that is consists of nationalized and state bank group. The case evidences that for new and old private sector shows 38.8 as lowest and 47.3 as highest. Foreign banks consistently maintain its criteria and shows minimum of 33.1 and maximum of 39.7. While adjusting inflationary values in the growth can assist to attain proper results in this state of affairs.

8. CONCLUSION

The banking sector reforms in India have had major impact on the overall efficiency and stability of the banking system. The present capital adequacy of Indian banks is comparable to those at international level. The banking reform measures have also effected in an enhancement in the profitability of banks. The banking sector reforms also accentuated the need to review the manpower resources and rationalize the requirements by drawing a pragmatic plan so as to lessen the operative cost and recover the profitability. The outcome of ADF unit root test illustrated that the stationarity of all the banking sector variables has been recognized which is a basic requirement for co-integration test. The co-integration test designates the survival of co-integrating equation at 5% significance level, exhibiting that long-run relationship exists among the variables. Performance of banks have been improved in terms of business per employee, profit per employee, capital and reserves and surplus, deposits, investments, advances, interest and other income. Cost of funds and return on advances adjusted to COF is also shows the satisfactory level and the same trend persists wages as percentage to total expenses, return on assets and net non-performing assets ratio. CRAR trend for the ten years from 2001-02 to 2010-11 analyzed with due diligence, the results found in a satisfactory level. The CRAR level across the five bank groups has continuously been increasing over the sample period. Bank Efficiency Scores evidences that all the units under nationalized banks, SBI and its associates, old private sector banks, new private sector banks and foreign banks have improved their efficiency in the recent times. Banking reforms stimulates credit disbursement in a positive way to priority sectors; the entire bank groups are equally provides credit to the weaker sections. It has been observed that the banking sector reforms in India has presented positively in the field of enhancing the economic performance, bank performance in different parameters, capital to risk-weighted assets ratio, efficiency of business, and priority sector lending and so on. But at the same time the reform failed to establish banking business which is at par with the international banking system.

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