Rapid reforms of various segments of Indian economy are under way. The need for reforms in the financial sector was already felt and some corrective measures were undertaken before the Narasimham Committee I and II. The Sukhamoy Chakrovorty Committee (1985) was a landmark in the sense that it stressed the need for injecting greater competitiveness among the banks and creating an environment where they should be bestowed with greater operational freedom. Since then, several measures have been initiated to true up the functioning and performances of financial sector but most of these measures addressed to the short-term perspective.

The term financial sector reform is used interchangeably with the term financial liberalisation and financial deregulation. Financial liberalisation is the process of removal/reduction of financial market distortions, mainly created by govt. or central banks interventions. Liberalisation of Financial sector is one of the important issues of recently pursued New Economic Policy (NEP) in India. Generally, it encompasses softening of allocative procedures, hardening prudential regulation, catering higher quantum of credit to the industries and providing a chance to restructure the financial system with a view to attain competitiveness aligning with international standard.

In the new economic policy, banking and financial sector reforms assume high degree of priority in the context of globalisation of economy that requires adhering to universally applicable standards and yards sticks. The Indian banking industry is no longer an isolated entity. The dynamic and highly competitive global banking environment is increasingly affecting it. Banks are facing several challenges, due to competition, dis-internediation as well as customer’s demand. They require reducing operating costs along with designing innovative strategies to attract and retain customers reacting quickly to the ever-changing market forces.

The process of financial sector reform has been initiated in 1992 following the report of Narasimham Committee. The distinctive feature of the recommendations of the committee is that it has redrawn the broad contoured of financial sector with focus on how it should be organised and governed. It has emphasised the urgency of financial sectors adherence to the internationally acceptable conventions, practices, and procedures to equip them with enough power to face the impeding competition. The components of reform involved dismantling certain diverted credit programme, lowering cash and liquidity requirements, improving payment system, adopting international standard for capital adequacy, prudential norms.
improving legal, regulator and supervisory infrastructure and reducing barriers for the new entrants in the banking sector.

The Narasimham Committee on Banking Sector Reforms (1998) had recognised the need for credit risk modeling. Credit risk model offers a framework for examining risks in a timely manner identifying the risks in individual portfolio composition. As such model based approach may bring capital requirements into alignment with the perceived riskiness of the underlying assets. In general, the financial liberalisation represents a profound change in the economic rules. Against such a backdrop, the present work is an attempt to examine the impact of financial sector Reform on the working of banking sector in general and public sector banks in particular. The study covers an empirical analysis of different aspects of bank’s performance in Barak Vally of Assam in the context of national level performances of PSBs in particular during two distinct time period, pre (1981-91) and post (1992-2001) reform regime. The present study is divided into ten chapters. However, the 1st chapter, being introductory in nature, spells out the parameters of the study in both theoretical and problematic framework. This chapter has reviewed the available literature along with the committees’ recommendation on banking sector in the context of financial sector reform. It also highlights the objective, hypothesis, methodologies and layout of the study. The need and implications of reform in financial sector in general, and banking sector in particular is presented in second chapter. The third chapter is devoted to the analysis of growth and development of public sector banks covering the history of emergence of PSBs and the assessment of operational activities in terms of branch network, deposit mobilisation, credit channelisation priority sector lending and so on. An evaluation in respect of growth and development of PSBs during pre and pre reform period in the area under study has been made in chapter four. The analysis of profitability through growth rate, trend and financial ratio are sketched in fifth chapter. It also diagnosed the factors influencing the profitability of PSBs operating in the study area in the context of profitability of PSBs at the national level. The productivity of PSBs both at national and districts level during two aforesaid time period using different financial ratios, branch productivity, employee productivity and cost responsiveness has been incorporated in sixth chapter. The seven Chapter is devoted to the assessment of the nature, trend and magnitude of NPAs. The eighth chapter gives an overview of Assets and Liability Management considering various risk encountered by the banks operating at the national level. The ninth chapter has focused on the quality of services rendered by the PSBs in the study area. A comparison of customer’s satisfaction level of rural, urban and professional group’s has been made in this chapter. The concluding tenth
chapter gives a brief summary of main findings and some workable suggestions for further improvement of banking sector as a whole.

On completion of the present study, I express my profound gratitude and indebtedness to my revered guide Dr R. K. Raul, Head, Deptt. of Business Administration, Assam University, Silchar for his incessant guidance and untiring support to upgrade the quality of my study and to pursue my academic endeavours without whose active involvement and supervision the work would not be accomplished in the present shape.

Right from the genesis of very idea to work on the subject to its completion, I have incurred both intellectual and moral debts to many. Therefore, I would like to express my deep gratitude to them.

I am indebted to the Institute of objective studies (IOS) New Delhi, their Calcutta chapter, Kolkata and North Eastern Council (NEC), Shillong for offering me study grant and book grant for pursuing my research investigation.

I am grateful to these personalities who have extended generous help and comments on the earlier draft specially Prof. D. K. Pandiya, Dean, School of Management Studies, Dr. N. B. Dey, Head, Dr. A. Mazumdar, Reader and Dr. A. L. Ghosh, Department of commerce, Assam University, Dr. Keya Sengupta, HOD, of Economics Dr. S. S. Dutta, Head, Department of Commerce and Mr. M. L. Saha, Former Head, Department of Commerce, Karimganj College, Karimganj.

The academic assistance and encouragement received from time to time from Mrs. Nibedita Raul (Battacharjee), Department of Statistics, Karimganj College is gratefully acknowledged. In the same measure I am grateful to Hazi Md. Abdul Jalil, Section Officer (Exam.), Assam University, for his constant inspiration and generous help for the study.

I take this opportunity to offer my gratitude to Prof. S. S. Khanka, former Dean, School of Management Studies, Assam University, presently Dean, School of Management Studies, Tezpur University Prof. Rafiqul Islam, Dean, School of Physical Science, Assam University, Dr. Rais Ahmed, Aligarh Muslim University, Dr. N. M. Panda, dept of Commerce, North Eastern Hill University. Prof. Sujit Sikidar, Dept of Commerce, Gauhati University, Guwahati, Prof Ranajit Chakraborty, Dean, Business Studies, University of Calcutta, Prof. D. Sharma, NEIBM, Guwahati, Dr. N. B. Biswas, North Eastern Hill University, Dr. K. U. Ahmed, Ex. Principal, Karimganj College, Prof. A. K. M. Waliul Islam, University of Dhaka, Bangladesh, Mr. Humaun Bakth, Department of Sociology, Assam University, Dr. Subhendra Das, HOD of Commerce, G. C. College, Silchar, Dr. M. K. A. Siddique, IOS Kolkata, Javed A. Khan. Aligarah Muslim University, Mr. N. C. Das, Asstt. Manager DICC, Silchar, and Mr. S. Uddin,
faculty member, Shillong Law College for their inspiration and encouragement in my academic pursuit.

The work would not have been accomplished without the systematic support rendered by the officials of the Central Library, Assam University, K. K. Handique Library, Gauhati university, Central Library, Reserve Bank of India, Calcutta, Central Library North Eastern Hill university, Central Library, North Eastern Institute of Bank Management (NEIBM) and NEC library, Shillong. I owe a lot to the officials of Lead Bank Office, United Bank of India and Zonal Offices of Individual banks in the districts under consideration who helped me profoundly by providing information. I particularly thank to the branch manager and staffs of the PSBs for their generous help in procuring the needed data relating to the various aspects of bank’s performance.

The generous help offered by Mr. T. Rahman, faculty member, K.A.D. College, Silchar, Mr. F. R. Choudhury, faculty member, M.C.D. College, Silchar Mr. T. U. Laskar (Advocate) and Research Scholars Mr. H. Roy (Economics), Mr. A. K. Das (Commerce), Miss. M. Islam (Philosophy), Assam University, and Mr. A. H. Choudhury, and Mr. G. M. Laskar, Assam University in various ways in course of this work is also gratefully acknowledged.

I am beholden to my parents Alhaj Md. Aftab Uddin Ahmed (father) and Mst. Fuljahan Khanam (Mother) and other family members who have been a constant source of inspiration in my academic and research pursuit. I am grateful to my Principal Dr. K. K. Bhattacharjee and other member of the college, colleagues and friends who helped in various ways in course of the study.

Finally, my deserve thanks are also due to Mr. Amir Ahmed Barbhuiya, Dizi Com Computer Printers, Co-operative point, Silchar for active involvement and careful typing of the manuscript.

Date : 30.12.2002                                       Jaynal Uddin Ahmed