India’s financial services industry is dominated by the banking sector which contributes significantly to the revenues of this industry. The banking structure in India comprises of public sector, private sector and foreign banks. The public sector banks continue to dominate the Indian banking arena, in terms of the extent of money transaction, spread of branches and size in terms of total assets. Importance of banks in accelerating the economic development of our country recognized with the nationalization of fourteen major commercial banks in 1969 and six more banks in 1980, which led to rapid expansion of banking system.

Despite impressive qualitative achievements in resource mobilization and in extending the credit reach, certain deficiencies have over the years crept into financial system like decline in efficiency of the system, erosion of the profitability, technological backwardness resulting in to increasing cost structure and delinking of the system from the sound international banking trends, etc. Prior to the initiation of reform measures, the banking system was exposed to several weaknesses like low operational efficiency, inadequate capital base, high level of non-performing assets, low profitability, unhealthy balance sheets and unsatisfactory customer services.

Realizing all these ill effects, the government initiated various measures for the control of financial system after the Narasimham committee-I report in November 1991, which sowed the seeds of the reforms and a new chapter in Indian Banking began. There has been gradual phasing down of Statutory Liquidity Ratio and Cash Reserve Ratio which had crossed 58 percent of total deposits. The prudential norms relating to income recognition and capital adequacy were made obligatory. In 1993 norms were eased for the entry of private and foreign banks. It put the Indian banking system in to competitive pressures from international banks. Another important development was deregulation of interest rates on both deposits and advances.

The entire seller oriented market turned in to a buyer’s market. The Indian banks are facing two-sided challenges: one to improve their profitability and productivity and second to serve the public in new ways with greater efficiency and effectiveness. The public sector banks have spearheaded the banking developments as they account for a majority share of total business in banking industry. But on the other hand, domestic
private and foreign banks continue to hold top position in terms of quality services expanding their size by attracting new customers to their existing basket.

Since the initiation of reforms in 1991, almost two decades have been completed. It is therefore desirable to evaluate the response of banks to various reforms measures and to assess whether and to what extent there have been improvements in efficiency and profitability of different bank groups. Globalization has brought fierce competition to public sector banks both in product innovations and service quality.

In the present study an attempt has been made to evaluate the absolute as well as relative performance of public, private and foreign banks in the light of pre and post banking sector reforms. The entire work comprises of ten chapters. The first chapter contains existing banking structure in India, evolution of commercial banking in India, rationale of banking sector reforms, commercial banking reforms and major developments in Indian banking since 1967. A brief review of literature has been presented in second chapter. The third chapter outlines the research design of the study in the form of need, scope, objectives, methodology and limitations. Appraisal of the performance of public, private and foreign banks form the fourth chapter. The individual bank-wise performance in terms of impact of globalization has been assessed in fifth, sixth and seventh chapters. The impact of globalization on the performance has been presented for public sector banks in fifth chapter, old and new private sector banks in sixth chapter and foreign banks in seventh chapter. In the eighth chapter, bank group-wise overall impact assessment of globalization on the performance of public, private and foreign banks has been made. The ninth chapter contains an overview of the service quality provided by public, private and foreign banks. It analyses the factors determining satisfaction level among bank customers. The tenth chapter contains the conclusions of the study and suggests need based strategies to make the banking system more efficient and profitable giving utmost satisfaction to customers.

ANUJ KUMAR