

*Abstract of Doctoral Dissertation*

## **Post Reform Bank Efficiency in North East India : A Branch Level Analysis<sup>1</sup>**

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### **I. Introduction and Review of Literature**

THE STUDY IS an attempt to identify some of the hidden facts concerning the efficiency of bank branches in the North-Eastern Region (NER) of India. Since deregulation in 1992, Indian banks have responded reasonably well to the challenges associated with the irreversible process of globalization, liberalization and privatization. But a cursory look to the performance of banks operating in North Eastern (NE) states conveys that these branches perform much below the average performance of the banks at national level. Further most of the earlier studies on bank efficiency have analyzed the efficiency of banks as a whole rather than that of individual branches may be due to lack of easy access to branch level data. But it is believed that branches act as foot soldiers that ultimately win or lose the battle for sustaining the bottom line of the bank. So the cost efficiency at branch level is the key to sustainability of bank profits and long run viability of banks especially in NER where the operating cost is fairly high. Hence the study on efficiency of banks in NE India is of special significance.

Productivity of four major trading banks and six regional banks of Australia is investigated by Avkiran (2000) using Malmquist productivity indices in the deregulated period 1986-1995. The principal findings indicate an overall rise in total productivity driven more by technological progress than technical efficiency. Shammugham and Das (2004) using the stochastic frontier function methodology for panel data for a sample of 94 banks during the reform period 1992-99 found that observed output in banks are less than the potential output due to the prevalence of technical inefficiencies. Most

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