

PREFACE

I

Commercial banks, all over the world play a crucial role in the economic process of societies. In highly industrialised and developed societies, their impact is getting reduced, especially during the last one decade, on account of the institutional and financial innovations. However, in the developing economies they still occupy a prime position due to their near monopolistic status in the supply of funds to the entrepreneurs to pursue their economic activities. In India also the commercial banking system occupies a near monopolistic status in the supply of working funds to the different segments of the society.

Indian banking has, following nationalisation, witnessed not only a phenomenal expansion in the scope and volume of business but also profound qualitative changes in its style and system of functioning. The widening of banking activity has gone hand in hand with a deepening of banking business. The manifold expansion of branches with a bulk of them in the semi-urban and rural areas, the attempts to reach out to the hitherto neglected sectors of the community and the concomitant phenomenon of going retail as reflected in the sheer increase in the number of individual deposit and credit accounts, the shift from security-based to purpose-oriented lending, the area approach, the segmentation of markets, are all different aspects of the new banking policy.

It is in this context that an analysis of bank lending in India

has been taken up here. The analysis attempted here is different from the existing researches in the field of bank lending. While most of the researchers have confined themselves to a single aspect of lending, viz, growth and allocational aspects of lending to the priority sectors or to bank lending and industrial sickness or to the costs, margins and profitability aspects; an attempt has been made in this exercise to cover most of these aspects of bank lending as all these are, to some extent atleast, inter-dependent. Also, the suggestions offered at the end of this work are not just simple philosophical statements; they are the definite functional models for improving the effectiveness and quality of bank lending in India.

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