

## P R E F A C E

The policy dictated-functional transformation of the commercial banking system in India especially during the post nationalisation period is significantly characterised by unprecedented growth in priority sector lending consistently accompanied by large overdues and poor recoveries. The recovery aspect of lending was neither considered strategic nor could it find a place in the business policy guidelines of the Chairman and Managing Director of any bank up to the early eighties. It was the growing blockage of huge funds in non-performing assets and the poor recoveries that compelled bankers to consider 'recovery' as a key performance area of senior and top management in banks. Accordingly, this aspect drew the serious attention of bankers and academicians and a number of studies were taken up by scholars and banks themselves to get an insight into the complexities of recovery management. Some of such studies attempted to identify the critical factors adversely or favourably affecting the recovery performance of banks, especially in the area of priority sector lending. However, there has been no unanimity among researchers on the factors which most directly and effectively influence the loan recoveries and different studies have laid different emphasis on different recovery factors.

A critical perusal and review of the research studies referred to above reveals that most of these studies were

not scientifically designed. The concepts used were not defined precisely and the opinion surveys were not properly structured and scaled. The data analysed were not adequately tested and samples were not drawn through appropriate statistical techniques. Also most of the findings were just in the form of generalised observations made without testing the statistical significance of findings and without using appropriate statistical or econometric methods. In none of the studies, factor-analysis was attempted and no analysis could adequately bring out the elasticity in recoveries to different recovery factors.

As a result, the required insight to improve the deteriorating recovery performance of banks in the priority sector lending could not be made available by these studies. Also, these studies have neither challenged any existing theories nor adequately contributed to the academics. Thus, it can be concluded that the scope of empirical research in credit management, with special reference to recovery management, has not been fully exploited, and there is a gap in the needs and the existing stock of knowledge in this area. It is necessary, therefore, that this gap must be bridged by scientifically designed extensive empirical researches. This study is an attempt in this direction.

During the course of this study, I had the opportunity of sharing the knowledge of many distinguished bankers and academicians. Simultaneously, I had the opportunity of meeting and interacting with a large number of beneficiaries

belonging to the priority sectors. These multi-dimensional inter-actions enabled me to gain clarity on many relevant issues critical to the study. While their contributions in the successful completion of this work are significant and I am personally obliged to each of them, in view of their large number and due to space and other constraints, it is difficult to acknowledge their specific contribution individually. Still, it will be an impropriety on my part if I fail to record my deep sense of gratitude to those who devoted their invaluable time beyond reasonable proportion for my benefit and went out of the way to help me in the completion of this work even at the cost of their personal inconvenience.

Professor M. D. Sharma, a distinguished researcher and acclaimed teacher of international eminence, proved to be an apostle of paternal affection and his dedication not merely to the completion of this study but also to the transformation of my total personality in the process, deserves my utmost and heart felt expression of gratitude. During my long inter-action with him I always found my demand on his time superceding his own work priorities and family responsibilities. Words of adequate beauty and expression fail me at the moment to record my sincere gratitude to him. Indeed, I am highly indebted to him.

I am also grateful to Dr. A. R. Patel, Regional Manager, Bank of Baroda for the constant inspiration and for such guidance

which can flow only from a person of his competence who could ideally blend the practical experience of a banker with a sound academic background and critical observational capacity of a researcher.

While analysing the voluminous data used in this study, I have been immensely benefited from the constructive criticism, useful suggestions and appropriate methodological guidance offered by Mr N.R.Sarkar and his young colleague Mr Abhijit Gupta of the Indian Statistical Institute. I am indeed very happy to sincerely record my appreciation and gratitude towards both of them. I would also take this opportunity to thank the Faculty of Commerce and the Department of Banking and Business Finance, M.S.University of Baroda for enrolling me as a Research Student and for extending all the required facilities.

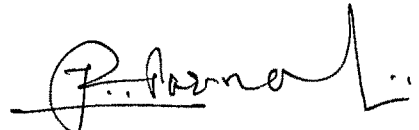
I sincerely feel obliged to the enlightened management of Bank of Baroda for permitting me to pursue higher studies and take up this research exercise. It would not have been possible for me to collect the voluminous data without the moral support and constructive help of the staff in the Lead Bank Cells at Valsad and Surat Districts and of my colleagues in the bank who constantly encouraged me and happily offered all the needed help from time to time. I am personally grateful to each one of them and will be happy if I could be of any service to them in times to come.

Last, but not the least, I sincerely wish to record the

contribution of my wife Urvashi, who demonstrated immense patience and a high sense of sacrifice coupled with sincere efforts to motivate me to take up and successfully complete this challenging and arduous task. She proved to be an unparalleled source of constant inspiration and an ideal partner in all my difficult situations. Her personal sacrifices and contribution in the completion of this work can not be recorded or expressed in words.

VADODARA

26.06.1991



(Thakorsinh B. Parmar)