The institutional structure of the organisation of industrial finance in India, their volume and the range of operations have undergone changes of immense significance over the period since independence in 1947. The modern banking system, developed in India during the British rule, provided and operated the payments and money transmission services necessary for trade and commerce. They were the principal institutions in operation in and around the urban centres where people held cash for the purpose of transactions. Development of trade and industry was left principally to the initiative of the British entrepreneurs, under whose patronage emerged the managing agency system. The managing agency system provided finance along with enterprise and managerial skill for industrial development and thus held centre-stage in promotion and financing of industry in India for a long time.

The independence of the country created conditions for setting up of the special institutions for supply of finance for industrial development under the initiative and, in most cases, ownership of the State. Such institutions, established in a row since 1948, came to be known as the development banks. Although, special financial institutions for industrial development were in existence since the early nineteenth century, they are essentially a post-war phenomenon, especially so far as the developing countries are concerned.
In India, along with the setting up of a chain of development banks, the commercial banks were also brought under the control of the State for securing their support to the socio-economic objectives of development. Similarly, the insurance business was also nationalised and an institution was set up under the indirect control of the State for collecting small savings of the people for investment in industries through the operation of mutual funds.

Today, the institutional structure of the organisation of industrial finance in India consists of a chain of development banks, mostly owned by the State, engaged exclusively for financing of industries, a number of investment intermediaries and a network of commercial banks engaged in mobilising savings of the society and channelling them according to Plan priorities. The development banks began to function as the suppliers of term loans but in course of time their activities have extended to include all conceivable means of aiding the industries, directly and indirectly.

To have a purely academic probe into the evolution of the present institutional structure of the organisation of industrial finance in India, in general, and the development banks in particular, their changing operational aspects appeared fascinating to me. The major thrust of the study has been the operations of development banks in India. But I have also ventured to assess the functioning of other institutions operating in the capital market. Attempts have also been made to identify and highlight the shortcomings and inadequacies of
these institutions in the context of the changing requirements of Indian industries and measures have been suggested to remedy those shortcomings.

This study will, hopefully, enrich the available stock of learned works on this very important aspect of the Indian capital market. Apart from its significance from the academic point of view, it is also hoped that the study will merit attention of the planners and policy makers for creating a congenial atmosphere for industrial development.

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