PREFACE

The most important requisite of economic development in the under-developed countries is the accelerated rate of capital formation. The financial institutions play a significant role in the above process by influencing savings and investments. Of all the financial institutions, commercial banks enjoy a distinct and unique position on account of their capacity to tap the resources from a wide spectrum of people and diversified nature of their operations. However, their ability to make positive contribution in igniting the process of growth depends to a large extent upon the way the banking policies are pursued and the banking structure is evolved.

The Government of India, realising the potentialities of the banking system for promoting larger economic objectives, i.e. 'Growth with Justice', decided to nationalise 14 major banks in July, 1969 followed by nationalisation of six more large banks in April, 1980. In order to meet effectively and adequately the credit requirements of certain sectors of economy whose credit needs were so far neglected viz. agriculture, small scale industries and other weaker sections of the population, a new concept of 'Priority Sector' was developed and separate targets and sub-targets of bank credit were fixed. As a result of this development, the role of commercial banks has undergone a revolutionary change. Their focus is now primarily on widening
through the courtesy of friends and officers of the institutions, has also been used. The information obtained through personal interviews and correspondence with banks' executives and borrowers has also been utilised for the purpose of diagnosis and analysis.

I have great pleasure in acknowledging the co-operation received from the clients and executives of nationalised banks, officials of the Department of Banking, Reserve Bank of India and Indian Banks Association, the faculty members and library officials of the National Institute of Bank Management, Staff Training Colleges of State Bank of India and Punjab & Sind Bank, Institute of Chartered Accountants of India and Indian Institute of Public Administration.

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With all this submission and gratitude, I submit in all humility this study for the Degree of Doctor of Philosophy in the Faculty of Commerce and Business Management, Maharshi Dayanand University, Rohtak.

Delhi.

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(SATYA NARAIN MAHESHWARI)
Lecturer in Reader's Grade,
Shri Ram College of Commerce,
Delhi University,
Delhi-110007.