1. INTRODUCTION:

The banking system has a significant role to play, in the modern economy. By institutionalizing savings and channeling the various resources in well-determined direction, in consonance with objectives and priorities laid down in the plans, the banking system can influence the pace and pattern of the growth of the economy. Banks constitute an important segment of the financial infrastructure of any country.

Banking has assumed greater importance in recent years. It has been considered as an important instrument of social change. It occupies an important key place in a nation's economy. A banking institution is indispensable in a modern society. It plays pivotal role in the economic development of a country. It forms the core of the money market in an advanced economy of a country.

Banks play a vital role in the well being of the community. If a manufacturing company goes out of business, the owners and the creditors may lose their money, which is, due to them by the firm. If a bank fails, the loss also extends to all those who have entrusted their money to it for the safekeeping. The results may be catastrophic, particularly if the bank is a big one. Banks are
therefore very important bodies. It is difficult to imagine a modern economy working without them.

A bank may be regarded as a body that buys and sells credit. It sells services rather than goods, their output is intangible. It is an institution, which deals with money and credit. In recent years, banks in India have been functioning more as leaders in development and instruments of national policy than as dealers in money.

It is a widely accepted fact that credit is a phenomenon of economic development and the banking system along with entrepreneurship is a vital agent, which plays a crucial role in the process. Financial intermediaries, particularly banks have a very important role in raising the financial resources because of their capacity to tap resources from a wide spectrum of people and diversified nature of their operations.

Banks are the custodians of the society's economic resources. They have to be used as an important instrument for the attainment of socio-economic objectives. The banking system has to be designed in such a manner, that it reaches the common man and the remote rural areas to help" the poorest of the poor".

The economic history of many countries reveals that economic development and growth of the financial infrastructure go hand in hand. There is interaction between the two. Without the growth in the financial infrastructure, there can be no development and the latter in turn changes the
shape and size of the financial institutions. Here the banks constitute an important segment of the financial infrastructure of any country.

It is therefore no exaggeration to say that effective, efficient and disciplined banking system greatly helps the process of economic development. It functions as a catalytic agent for bringing about economical, industrial and agricultural growth and prosperity of the country.

2. STATEMENT OF THE PROBLEM:

Bank is an indispensable institution in the modern society. In the economic development of a nation, Bank occupies an important place. It forms the core of the money market in the well-developed countries. But the Indian money market is being controlled by both the organized and unorganized credit agencies that meet the credit requirements of the various sectors of the economy.

The organized sector comprises of The Reserve Bank of India, Commercial Banks and other Co-Operative Banks, whereas the moneylenders and indigenous bankers constitute the unorganized sector. The present structure of public, private and co-operative banking in India is the outcome of long process of expansion, reorganization and consolidation, extending over a period of three decades.

Commercial banks are the oldest banking institutions in the organized sector of the Indian money market. The scheduled commercial banks
have to play a more dynamic role in achieving the basic objectives of the national plan so as to confirm, not only plan priorities but also to make larger credit available for priority sectors.

The Co-Operative banking system is an integrated one, with its three-tier system able to extend credit to agriculture artisans and small men in the society. The Co-operative banks, commercial banks and regional rural banks have a variety of specialized institutions. They have been setup in the country to cater to specific needs of trade, commerce, agriculture, industrial and other activities.

Due to severe competition among the banks and the regulations of the Reserve Bank of India, the deposit rates tend to be the same with all banks. Therefore lending activities is more pronounced on the various sectors of the economy than the other operations of the banks. In this study only the lending performance of the Public, Private and Co-operative banks have been compared.

3. OBJECTIVES OF THE STUDY:

1) To review the progress of banks in India and in Salem district.

2) To study the lending performance of Public sector banks in Salem district.

3) To study the lending performance of Private sector banks in Salem district.
4) To study the lending performance of Co-operative sector banks in Salem district.

5) To compare the lending performance of Public, Private, and Co-operative sector banks in Salem district.

6) To offer suggestions to improve the performance of banks.

4. SAMPLING:

As the researcher is living in this area, Salem district has been selected for her convenience. As the study is based on lead bank report and annual credit plans, there is no question of selection of banks or branches. The study covers all the banks in the three sectors Public, Private and Co-operative in Salem District.

5. METHODOLOGY:

The study is primarily based on the secondary data. These data were obtained from the annual reports, lead bank annual reports, annual credit plan reports, published articles and from the journals.

6. SCOPE OF THE STUDY:

This study is on the lending performance of the banks in the Private, Public and Co-operative sectors in Salem district. Due to paucity of time, other operations of the banks, such as deposits and services could not be considered.
7. PERIOD OF COVERAGE:

The period covered by this study is from 1995-1996 to 1999-2000.

8. SCHEME OF CHAPTERISATION:

The study has seven chapters, in this chapter (chapter 1) the design of the study has been given. It covers the statement of problem, objectives, scope of the study, methodology, sampling, period of coverage and scheme of chapterisation.

The second chapter deals with development of banking in India and in Salem district.

The third, fourth and fifth chapters deal with the lending performances of Public, Private, Co-operative sector banks in Salem district respectively.

The sixth chapter deals with the comparative study of the lending performance of Public, Private, Co-operative sector banks in Salem District.

The seventh chapter contains the summary of the findings and recommendations for improving the lending performance of the Banks.