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 at least, 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.

In this endeavour, my esteemed research guide, Professor M.D. Sharma, has been a constant source of inspiration, who, inspite of his extremely busy schedule and other academic preoccupations, devoted his precious time to share his research expertise with me with a view to enable me to understand the complexities of empirical research. But for his affectionate and knowledgeable interaction, this work would not have appeared in the present form. Words of adequate beauty and expression fail me at the moment to record my sincere gratitude to him, indeed I am extremely grateful to him.

I am also grateful to the Management of Assumption College, Changanacherry, Kerala where I am teaching Economics since 1960. I would especially like to record my heartfelt gratitude
towards Rev. Fr. Mathew Pulickkaparampil, Manager of the college, Rev. Sr. Rosalin, former Principal and Rev. Sr. Cissy, the present Principal who encouraged me immensely to take up this work.

I would also like to record my thanks to 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 help.

Lastly, the one who deserves a good word is my husband, who demonstrated immense patience and provided continuous encouragement while I trudged my arduous way to the completion of the thesis.

Vadodara.

9/10/91

K. S. ROSAMMA