

## P R E F A C E

An efficient and economically viable commercial banking system as a major part of financial infrastructure is a basic requirement of our economy.

In order to ensure the maximum possible participation of the commercial banking system in the planned efforts for bringing about a revolutionary socio-economic transformation of the Indian economy, it was felt at the highest level in the Government of India that the commercial banking system should not only be strengthened but also geared to perform its role in complete alliance with the official philosophy and efforts and consequently, after the establishment of the State Bank of India, the Government of India finally decided to nationalise the large commercial banks of the country in 1969. At that time, it was felt that the nationalisation of the large banks was necessary to meet the objective of controlling the commanding heights of the economy and "to meet progressively and serve better the needs of development of the economy in conformity with the national policy and objectives."<sup>1</sup>

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<sup>1</sup>Preamble to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970..

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This was reiterated by the then Prime Minister of India, Mrs. Indira Gandhi, in her broadcast announcing the nationalisation of banks as follows:

"Control over the commanding heights is necessary in a poor country, where it is extremely difficult to mobilise adequate resources for development and to reduce inequalities between different regions. An institution such as banking which touches or should touch upon the lives of millions has necessarily to be inspired by a larger social purpose and has to subserve national priority areas which have hitherto been neglected."

As a result of the nationalisation, during the post nationalisation period, there has been an unprecedented growth in the bank offices, their advances and deposits and the nationalised banks have switched over dramatically to the non-conventional banking in the country, especially in view of the social responsibility imposed upon them. What has been the effect of this structural and functional change in the commercial banking system in India on the profitability of nationalised banks is the main question this study endeavours to answer.

During the course of this study, I had the privilege of soliciting academic help and opportunities of interacting with the distinguished academicians and scholars of eminence and some top level professional bankers.

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from time to time in my endeavour to understand some of the issues of relevance to the problem of 'Bank Profitability' in the Indian context.

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(M.D. MOHITE)