

## **A Study on Trends of Banks' Lending in Indian Economy**

**Parmod Kumar<sup>1</sup>**

**Dr. Vivek Mittal<sup>2</sup>**

### **ABSTRACT**

The Indian Economy has seen so many up and down in past few years. Our economy drastically changed after the reforms taken place in 1991. This research paper throws light on the trends on India's economy in last few years, especially in the area of bank's lending either to government or public. It is a notion that all was not good before the 'reforms' and all began to change thereafter. It is important to understand the nature of the economy, need for reforms and thus the impact of change on the development. India is primarily an agrarian based economy. India's first and initial reforms post-independence were launched in the backdrop of a crisis situation. The development of industries which could be used for improvement and modernization of the agrarian economy. The research paper studies the trends in the Indian economy and analysis the data regarding monetary and fiscal policy through quantitative research methodology.

**Key Words:** Indian Economy, Bank Lending, Reform, Industry

1. Research Scholar (IKGPTU) and Assistant Professor, KITM, Kurukshetra, Haryana. Email- [parmodamity@gmail.com](mailto:parmodamity@gmail.com)
2. Principal, CGCTC(Management), Jhanjeri. Email- [vm.cgctc@gmail.com](mailto:vm.cgctc@gmail.com)

### **Introduction:**

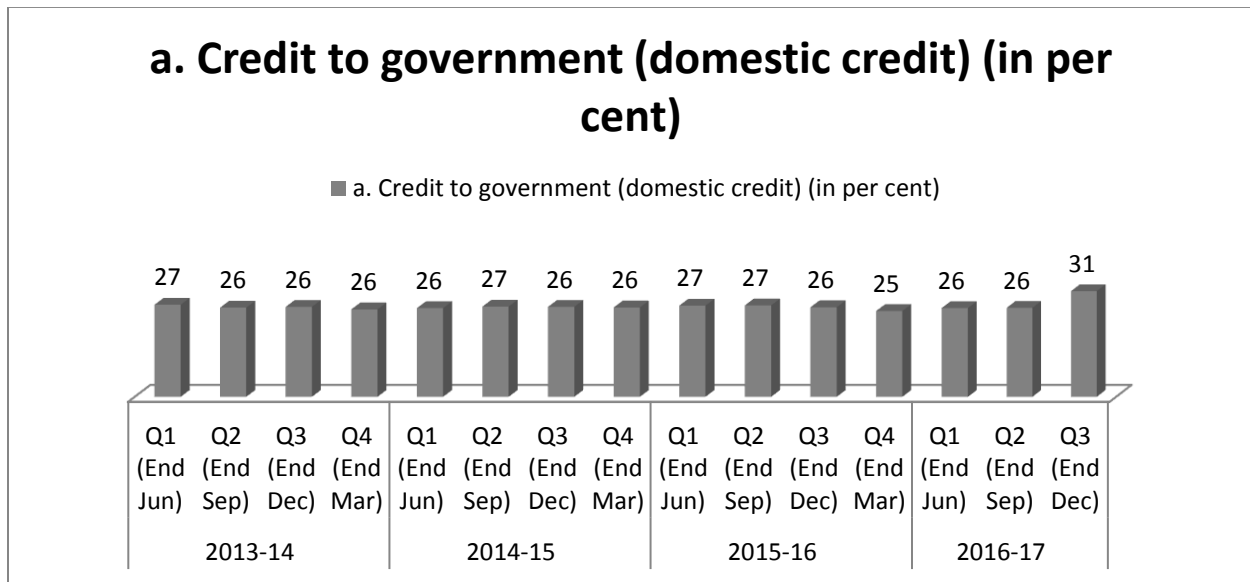
Banks plays an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. The banks collect savings for investment in various projects. In normal banking the banks perform agency services for their customers and helps economic development of the country. The purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the Government department. There for banks save time and energy of busy peoples. Bank arranges foreign exchange for the business transactions with other countries. Banking sector are not simply collecting funds but also serve as a guide to the customer about the investment of their money. Current banking sector has come up with a lot of initiatives that oriented to providing a better customer services with the help of new technologies. Banking sector mirrors the larger economy its linkages to all sectors make it proxy for what is happening in the economy as a whole. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian Economy. The going developments in the global markets offer so many opportunities to

the banking sector. In the competitive banking word improvement day by day in customer services is the most useful tool for their better growth. Bank offers so many changes to access their banking and other services. Procyclicality in the lending behaviour of financial institutions is an area of longstanding interest in economic research and is at the heart of the design and operation of macro-prudential policy. Financial institutions tend to overstretch their lending in periods of economic upturns and restrain it during downturns.

**Data Collection:**

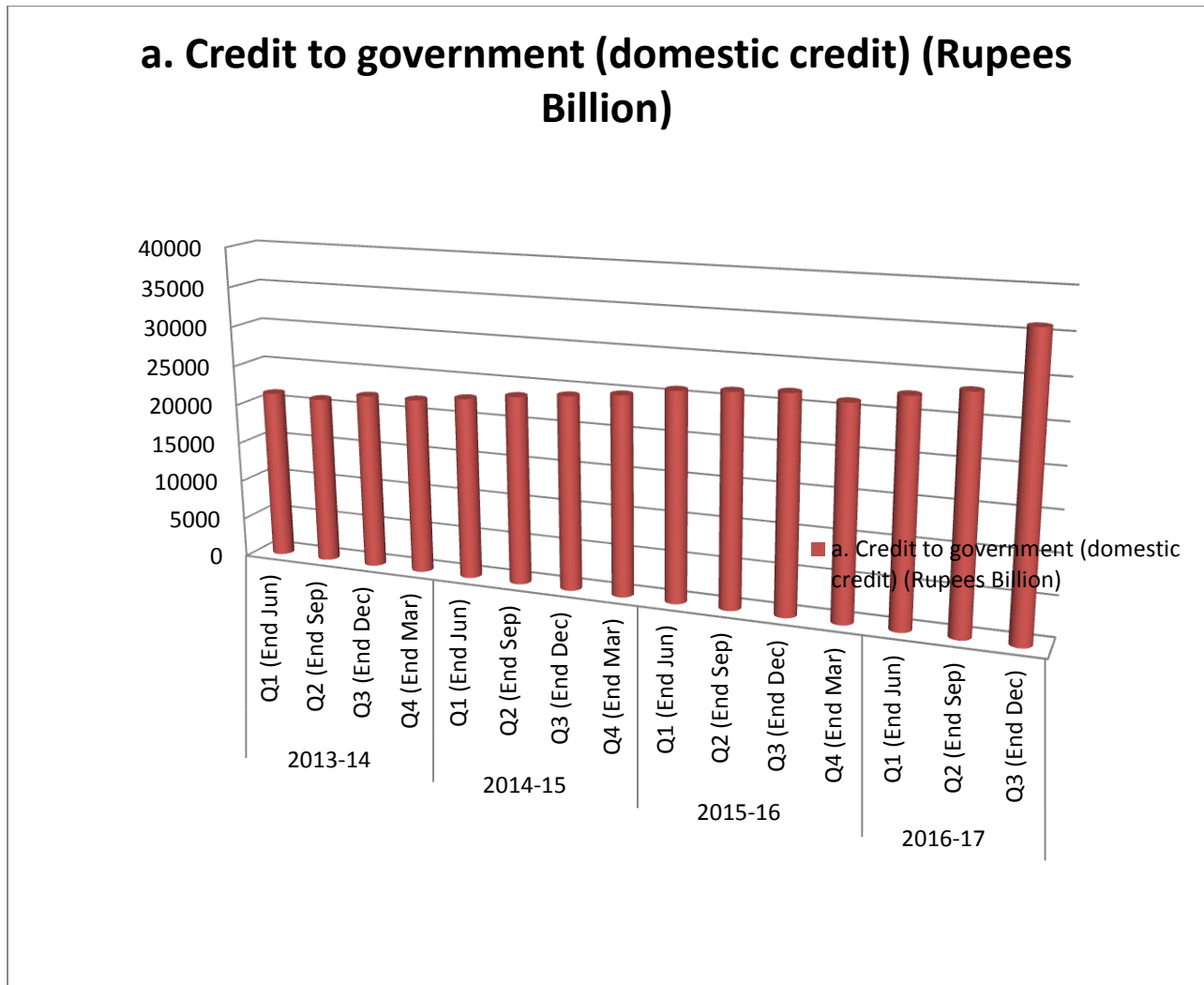
This is a descriptive study based on the secondary data. The data is collected from the secondary sources as the secondary data is used in this study.

Graph -1: Credit to Government by Banks(percentage)



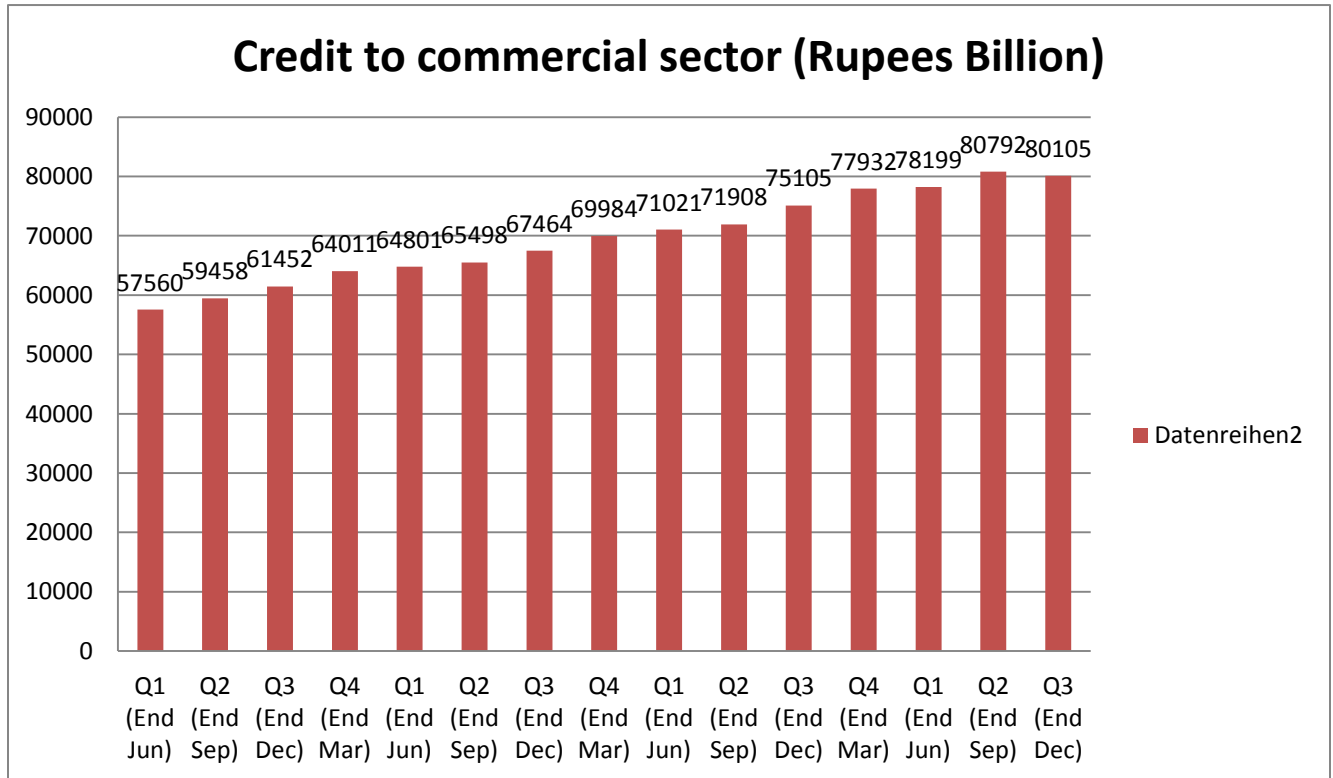
The graph number-1 shows the credit provided by the banks to the government in last four years. As per the data credit percentage is almost same in last four years. The credit percentage remains in between 25 to 27 percentage, just in third quarter of financial year 2016-17 it was 31 percentages. The graph number 2 also indicates that the slowly increase in the credit to government in last four years. The increase in credit to government is good symbol for the country as it is increasing the spending more on public welfare or the security of the country.

Graph-2: Credit to Government



The graph three indicates the total credit provided to the commercial sector in India by the banks in last 4 years on quarterly basis. The graph shows the trends of quarterly credit. The credit to commercial banks is showing the increasing trend in the last four years. This is a good symbol; for a growing economy, because higher the level of funding is a symbol of growth in the commercial sector. The growth of commercial sector automatically lead to the growth of economy in certain areas like increase in employment, increase in GDP, increase in production, increase in exports etc.

Graph-3: Credit to commercial sector



**Conclusion:**

The banks play a key role in the development of any economy. The banks play a role of mediator in between the surplus money and requirement of the money. The banks collect the small-2 savings from the public and provide to the government and the commercial sector as per their requirement. The banks are the backbone of any economy, because direct credit from public is quite difficult for the government as well as for the commercial sector.

**References:**

<http://www.bis.org/publ/work595.pdf>  
<http://www.tradingeconomics.com/india/loan-growth>  
<https://www.pwc.in/assets/pdfs/publications/2016/non-banking-finance-companies-the-changing-landscape.pdf>  
<http://ijergs.org/files/documents/The-Role-of-Retail15.pdf>  
<http://tmgt.lsrj.in/SeminarPdf/211.pdf>