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# LOANABLE FUND THEORY IN PRICE THEORY - NEED OF A REVIEW WITH REFERENCE TO PRESENT ECONOMICS

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**Abstract**

Any assumptions made while initiating theory and further developing it need to have sound reasoning , need to stand up to simple practical situations and mathematical tests. Loanable fund theory is a glaring example of a theory which defies logic and mathematics. The author, in this paper, cites examples of anomalies and aberrations in the present scenario of the 'Loanable Fund Theory'. In price theory in economics, 'Interest' has been defined /described /explained by many economists in different ways. Loanable fund theory explains the rate of interest through the equilibrium between demand for and supply of loanable funds. Demand Curves Supply Curves

DS - Dis-savings S - Savings

H - Hoarding DI- Disinvestment

I - Investment DH - Dis-hoarding

DL= DS+I+H BM - Bank Money

SL=S+DI+DH+BM

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Key Words : Loanable fund, Disinvestment, Savings, Interest.

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