

RESERVE BANK OF INDIA

REPORT OF THE CENTRAL BOARD OF DIRECTORS FOR THE YEAR ENDED THE 30TH JUNE, 1943.

To be presented to the Shareholders at the Ninth Annual General Meeting to be held on Monday, the 9th August, 1943, at the Reserve Bank of India, 8, Council House Street, Calcutta, at 3 p.m. (Standard Time).

1943

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Report of the Central Board of Directors of the Reserve Bank of India

For the year 1st July 1942—30th June 1943.

In accordance with section 14 of the Reserve Bank of India Act, 1934, the Central Board of Directors presents to the Shareholders this Annual Report and the Accounts of the Bank for the ninth accounting period beginning the 1st July 1942 and ending the 30th June 1943.

ANNUAL ACCOUNTS.

After payment of expenses of administration and provision for sundry liabilities and contingencies the net profit amounts to Rs. 7,69,80,740 3 0

Of this amount the sum of Rs. 17,50,000 0 0

will be utilised for payment to shareholders of a dividend at the rate of $3\frac{1}{2}$ per cent. per annum, being the cumulative rate fixed by the Central Government in accordance with section 47 of the Reserve Bank of India Act, 1934. The Government of India have by an Ordinance (reprinted as Appendix A to this report) issued on the 30th June 1943 limited the rate at which dividend on the share capital of the Reserve Bank may be paid by the Bank to shareholders to a maximum of 4 per cent. for so long as the Ordinance remains in force. The additional dividend payable is therefore limited to $\frac{1}{2}$

per cent. per annum equivalent to .. Rs. 2,50,000 0 0

leaving a surplus of Rs. 7,49,80,740 3 0

for payment to the Central Government in accordance with the said section as modified by the Ordinance.

The net profit is higher than in the previous year by Rs. 4.28 crores owing to a marked increase in the interest-bearing assets of the Bank.

The accounts of the Bank have been audited by Messrs. S. B. Billimoria & Co. of Bombay, Mr. P. K. Ghosh of Calcutta and Messrs. Sastri and Shah of Madras who were duly elected as auditors of the Bank by the shareholders at their meeting held at Madras on the 10th August 1942 in accordance with section 50(1) of the Reserve Bank of India Act, 1934. The present auditors, being eligible, offer themselves for reappointment.

The Board regret to have to record with the profoundest sorrow the premature death of Sir James B. Taylor, the Governor of the Bank, on the 17th February 1943 following a sudden and brief illness. By his death the Bank has lost an administrative head of unique experience and outstanding capability, the Board an eminently helpful and fair-minded colleague, and India a very good friend. It is tragic that a public career of such brilliant achievement and promise should have been cut short at a time when the Bank has to face complex problems of the greatest import for the economic welfare of the country.

After the death of Sir James B. Taylor, K.C.I.E., Mr. C. D. Deshmukh, C.I.E., the Deputy Governor, was empowered under an Ordinance issued by the Governor-General on the 22nd February 1943 to exercise all the powers and functions which the Governor is authorised to exercise, until the appointment of a new Governor.

Mr. A. C. Turner, C.I.E., M.B.E., I.C.S., was nominated by the Central Government on the 23rd July 1942 to be a Director of the Bank in terms of section S(l)(d) of the Act in place of the Hon'ble Mr. C. E. Jones, C.S.I., C.I.E., I.C.S.

On the 30th July 1942, Sir Sultan Chinoy was elected under section 12(4) of the Act to be a Director of the Central Board in the vacancy caused by the resignation of Mr. Kasturbhai Lalbhai. He resigned his office on the 24th February 1943 and Mr. Kasturbhai Lalbhai was re-elected in his place on the 2nd March 1943.

On the expiry of the term of the Directors representing the Southern (Madras) Area Local Board under sub-section (4) of section 8 of the Act, an election of the members of that Local Board was held in November 1942. Subsequently at a meeting of the elected members of the Local Board held in Madras on the 23rd December 1942, Mr. C. R. Srinivasan was re-elected a Director of the Central Board under section 9(7) of the Act to represent the shareholders in the Southern (Madras) Area Register.

During the year under report, six meetings of the Central Board were held of which two were held in Bombay, two in Delhi, and one each in Calcutta and Madras. The Committee of the Central Board met 49 times in Bombay, 4 times in Calcutta and once in Delhi.

Meetings of the Central Board and its Committee.

As stated above, there was one Local Board election during the year in the Southern (Madras) Area in November 1942, preliminary to the election of the Director for that area, and the new members including three members who were re-nominated to the Local Board, assumed office on the 23rd December 1942.

Local Boards.

In the vacancy caused by the resignation of Mr. A. N. Wardley in March 1942, in the Eastern (Calcutta) Area, the Central Board, following the recommendations of the Local Board, nominated on the 20th July 1942 Mr. Harry Douglas Townend to be a member of the Local Board of that Area in terms of section 12(3) of the Act.

In order to provide for certain matters relating to the Rangoon share register of the Reserve Bank of India, the Governor-General promulgated on the 21st August 1942 an Ordinance called the Reserve Bank of India (Rangoon Register) Ordinance, 1942. The Ordinance empowered the Central Board, among other things, to suspend all or any of the functions and duties of the Burma (Rangoon) Area Local Board or of its Committee and transfer the said functions and duties so suspended to such officer or officers of the Bank as they might authorise. In terms of the powers thus vested in them, the Central Board suspended with effect from the 21st August 1942, the functions and duties of the Burma (Rangoon) Area Local Board in respect of the registration and

transfer of shares and settlement of doubts as to the ownership of shares and other matters connected therewith, and directed that the said duties and functions shall be exercised by the Manager in charge of the Rangoon Office and later, when that office was temporarily held in abeyance, by the Chief Accountant.

The Ordinance also provided that during its continuance, sub-section 4 of section 9 of the Reserve Bank of India Act, shall in its application to the Burma (Rangoon) Area Local Board have effect as if for the words "At any time within three months of the day on which the Directors representing the shareholders on any register are due to retire under the provisions of this Act," the words "As soon as practicable after such date as the Central Government may fix in this behalf by notification in the Gazette of India" had been substituted.

The following table shows the distribution of the Bank's Distribution of shares as on the 30th June 1942 and the 30th Shares between the June 1943. various areas.

	Distribution of shares as on the 30th June 1942	Distribution of shares as on the 30th June 1943
Bombay	2,18,649	2,25,022
Calcutta	1,19,941	1,19,243
Delhi	85,762	87,163
Madras	58,810	58,096
Rangoon	16,838	10,476
Total	5,00,000	5,00,000
	Number of shareholders as on the 30th June 1942	Number of shareholders as on the 30th June 1943
Bombay	18,441	18,012
Calcutta	11,647	11,299
Delhi	12,181	11,901
Madras	7,697	7,471
Rangoon	1,205	719
Total	51,171	49,402
	30th June 1942	30th June 1943
Average number of shares held by each shareholder	9.8	10.1

The total number of shareholders declined further during the year from 51,171 to 49,402. The number of shares on the Bombay area continued to expand at the expense of other areas as in previous years.

The first issues of the two-rupee notes of the Reserve Bank of India in terms of section 24 of the Act were made from Bombay on the 1st February 1943. There was no other change in any pattern or denomination of the existing Bank notes. Under Ordinance LIX of 31st October 1942 currency and other notes inscribed with political slogans or messages were deprived of their legal tender character, though the bank could refund in its discretion and as an act of **grace** the whole or part of the value of such defaced notes. In order to put a stop to the practice, which appeared to be indulged in recently on a large scale of making photo prints and other reproduction of currency notes and bank notes for advertisements and other avowedly innocent purposes, the Indian Penal Code (Amendment) Act, 1943, was passed which came into force from the 26th March 1943. Under the Act, the making or use of documents resembling currency notes or bank notes is made an **offence** punishable with fine which may extend to **Rs.100**.

, It was announced that Burma notes would not be accepted anywhere in India after the 31st August 1942 unless *bona fide* possession of such notes was duly vouched for. Adequate facilities have been provided for the encashment of Burma notes after that date in the 'case of genuine evacuee-holders.

Victoria and Edward VII standard rupee and half-rupee coin ceased to be legal tender with effect from the 1st May 1943 and George V and George VI standard rupee and half-rupee coin will cease to be legal tender from the 1st November 1943. This marks the culmination of the policy which originated in 1893 of substituting full value silver coin by a token coin.

The Bank's Report on Currency and Finance for the financial year ended the 31st March 1943 was published early in July 1943. This Report deals with economic and financial conditions in the country and with Government finances in greater detail than the Annual

Report of the Central Board to the shareholders which is primarily intended to give a review of the Bank's working during the accounting year.

Japan's entry into the war and the intensification of hostilities in Africa rapidly transformed India into a vital supply base for the strategy of the United Nations in the East and Middle East. The volume of war contracts placed by the Supply Department continued to mount, and the increasing payments received from His Majesty's Government on account of supplies of war materials and services to them and Allied Nations led to a growing accumulation of sterling balances and large issues of currency for immediate payments in India. The country's own defence expenditure also underwent a considerable expansion from Rs.104 crores in 1941-42 to Rs.190 crores in 1942-43, over and above a capital expenditure of Rs.49 crores during the financial year, and the amount of borrowings, long and short term, rose correspondingly. Note circulation and scheduled banks' demand liabilities showed a steady rise of 62 and 56 per cent. respectively during the year, while the amount of cheques passed through the clearing houses in India supervised by the Reserve Bank increased by 22 per cent. Wholesale prices (Economic Adviser's index) went up by 50 per cent. during the eleven months upto May 1943, the Calcutta index number showing a greater rise of 79 per cent. during the same period. Prices of gold and silver also rose steeply during the year by 69 and 54 per cent. respectively, while the index of variable yield securities advanced by 40 per cent. from June to April 1943. The cost of living followed the trend in wholesale prices, the rise in the Bombay index number during the year being 52 per cent. The extension of war to the Pacific and the scarcity of shipping space led to a severe contraction of foreign trade, while difficulties of transport for civilian goods, speculation and profiteering accentuated the maldistribution and shortages of foodstuffs, cloth and other essential articles. Disbursements in connection with the war-effort, on the other hand, led to a rapid increase in the purchasing power in the hands of the public, including workers and the producers of primary commodities, not all of which could practicably be drawn off by taxation and

**G e n e r a l
E c o n o m i c
T r e n d s .**

borrowing. The situation thus created called for a wide range of remedial action. Government gave the situation their continuous attention and as the year advanced concerted a series of measures intended to co-ordinate the proper distribution of foodstuffs and the production and distribution of cloth, to curb speculative tendencies in the commodity and bullion markets and to absorb a part of the excess purchasing power in the hands of the public. A Food Department was set up early in December for the purpose of integrating all the activities in regard to the purchase, movement and distribution of foodgrains on an all-India basis, although owing to difficulties of securing supplies at controlled prices, the prices of wheat *in* primary wholesale markets were decontrolled about the end of January 1943, while free trade in foodgrains was restored in May in the Eastern region comprising Assam, Bengal, Bihar, and Orissa. A new Department of Industries and Civil Supplies was constituted in April which gave immediate attention to the cloth situation and in June of this year, as a result of consultations with the cotton industry, a Textile Control Board was set up to advise Government in the working of a comprehensive scheme of control of production, trade and prices of cotton yarn and cloth, which has already brought down wholesale prices. Earlier in May as a part of this scheme, it was sought to stabilise the prices of raw cotton by banning hedge contracts in respect of both the new and current crops. Finally, dealings in forward contracts (excluding delivery contracts) in cotton cloth and yarn were prohibited with effect from the 24th June. Speculation in the bullion markets was sought to be restrained by the Government's ban announced towards the end of May on forward dealings in gold and silver. In June the Bombay Government asked the authorities of the Bombay Stock Exchange to take effective steps to curb speculation in stocks and shares. The Excess Profits Tax Ordinance and the Capital Issues Control Order issued in May sought respectively to speed up the process of collection of the excess profits tax in order to draw off a part of the surplus purchasing power seeking avenues, largely speculative, of short-term investment, and to prevent the growth of mushroom companies in the present abnormal conditions.

Commodity prices during the year followed a steep and continuous upward course; the general rate of rise being more than double of that in the previous accounting year. The Economic Adviser's general index of wholesale prices (August 1939=100) was 110·3 in June 1940, 130·2 in June 1941, 158·6 in June 1942 and showed a much more rapid ascent to 237·8 or by 50 per cent. during the last accounting year. The increase was more or less uniformly distributed over the price levels of primary commodities as a whole and manufactured articles ; but the different categories of primary commodities showed highly discrepant trends, the rise in ' food and tobacco ' and ' other agricultural commodities ' being especially pronounced, being 8·7 and 79 per cent. respectively, against 8 per cent. only in 'raw materials.' Interesting disparities in the movements of relative prices of various commodities are disclosed by a reference to the Calcutta index number of wholesale prices. The index number for all commodities which had risen from 137 to 182 from June 1941 to June 1942, or by 40 per cent., advanced further to 325 in May 1943, or by 79 per cent. The indices of cereals and pulses which were 154 and 151 respectively in June 1942 had shot up to 473 and 374 respectively in May 1943 ; sugar showed a comparatively smaller rise from 210 to 311 during the same period while the index of tea declined after a rise during the winter months from 259 to 192 between June and May. ' Other food articles ' continued their giddy rise from 294 in June 1942 to 545 in May 1943. The lack of adequate transport facilities, the imposition of provincial barriers and the consequent difficulties of distribution between the producing and consuming areas and the cessation of imports from Burma and the Pacific area in the face of growing demands contributed to the rise in the prices of food articles which was also assisted by hoarding and speculation and continued inspite of various measures of control over essential commodities such as wheat and sugar. The prices of jute, raw and manufactured, remained at a comparatively low level in the earlier part of the year owing to the unsatisfactory freight situation but began to recover erratically from November and their respective indices rose from 72 to 147 and 126 to 195 during the year. Raw cotton prices also had a

consistent upward course, and the Economic Adviser's index advanced from SO in June to 100 in August and 199 in May 1943. The index number (estimated) of cotton manufactures swiftly increased throughout the year from 218 in June 1942 to 524 in May of this year, owing to the diversion of a considerable proportion of capacity for the production of requirements of the defence services, the disappearance of imports and increase of exports, as also speculative buying by dealers and consumers alike. Hides and skins and metals, too, continued to rise. There have also been greater disparities during the year in the prices of commodities from place to place

The rapid and general upward movement in prices is the inevitable reflection of the economic and monetary situation in the country, with a growing scarcity of consumers' and producers' goods available for civilian use and an expanding money supply, both arising in the process of diversion of resources to war service.

Owing to the loss of important Bar Eastern markets and the virtual closing of the Pacific trade routes to America, as also the acute shortage of shipping, the total value of India's private foreign trade, excluding the purchases on account of war by His Majesty's and other Allied Governments, showed a marked recession during the year. The value of merchandise exported from this country on private account during the eleven months ended May 1943 (provisional) amounted to Rs.180·59 crores as compared with Rs.242·34 crores in the corresponding period of the previous year. The value of merchandise imported was also lower at Rs.101·76 crores as against Rs.137·92 crores in 1941-42. With the rise in prices the fall in the quantum of imports and exports was still greater. The balance of trade declined during the eleven months to Rs.78·83 from Rs. 104·42 crores in the corresponding period of the previous year. The outstanding trends in the composition of trade are a severe drop in the imports of foodstuffs and manufactured articles, such as cotton yarn and manufactures, and an increase in the imports of raw materials ; on the other hand, there has been a particularly heavy decline in the exports of raw materials, including raw cotton, while exports of manufactures except jute manufactures, and food have been relatively maintained. As regards the direction of trade,

there is a noticeable decline in the trade with distant countries, particularly with the Americas and a marked increase in imports from and exports to some of the Middle East Countries like Egypt, Iran and Iraq as also the countries of the British Empire around the Indian Ocean such as Ceylon and South Africa.

The rupee-sterling exchange market was featureless during the year with the sellers' quotation for telegraphic Exchange. transfers for merchant business unaltered at lsh. 5-31/32d. The buying rates for telegraphic transfers and three months' D/A bills also remained unchanged at lsh. 6-1/32d. and lsh. 6-9/32d. respectively. Owing largely to an increase in the favourable balance of trade during the financial year 1942-43 over the previous year, the net purchases of sterling by the Bank were higher at £97,739,341-8-0 during the year as compared with £81,604,025-11-7. in the preceding year. Repayments made by the Secretary of State on account of recoverable war expenditure and purchases made on behalf of His Majesty's and Allied Governments, after deducting the sterling requirements of the Central Government and the Government of Burma, left a net credit in favour of India of £235,975,000 against £145,360,000 in the previous year.

During the year, the sterling area was extended by the inclusion of Madagascar and its dependencies on the Exchange Control. 28th December 1942. Various measures prohibiting the import of foreign currency notes without the permission of the Government or the Reserve Bank were adopted mainly to control the import of Burma notes into the country with a view to preventing the realisation by the enemy of captured stocks of Burma notes. Payments and remittances were, as before, allowed freely to countries within the sterling area while control over transactions with countries outside the sterling area continued to be exercised through banks authorised to deal in foreign exchange. The export control system was further tightened up during the year. The bulk of exports from India to countries outside the sterling area was financed under bank credits and foreign exchange payments were regularly received within the stipulated period of six months. The deterioration in the shipping

situation after the entry of Japan into the war made the supply of shipping space an important factor in the issue of licences under the import control system which had so far been based on the availability of foreign exchange and the supply of particular currencies. During the year the amount of United States dollars required for payment of imports declined steadily owing partly to a reduction in the imports of goods for civilian consumption but mainly to imports of oil, machinery, etc., coming forward under lend-lease procedure.

Price movements in the bullion market during the first two months of the year were confined to a narrow Bullion Market. range, with the quotation for ready gold moving between Rs. 50-10-0 and Rs. 53-15-0. During September and the greater part of October, the market remained closed for regular business although some transactions were reported to be taking place privately at steadily rising prices. The price of ready gold rose to Rs.61-10-0 on the 31st October and reached Rs.72-0-0 on the 8th November as a result of a keen demand for the metal. Thereafter a reaction set in, the price receding to Rs.61-8-0 by the 17th December, and until March, the market remained relatively steady with the prices ranging between Rs.64-10-0 and Rs.71-13-6. In the last quarter of the year, however, the bullion market was subject to marked fluctuations as a result of heavy purchases by speculators and option dealers, and the ready price of gold successively reached new high levels, advancing sharply to Rs.96-4-0 on the 26th April. In order to curb speculative movements, the Bombay Bullion Exchange decided on the 18th May to prohibit all forward and option trading in bullion after the 24th June (which was the last day for the June settlement). As a result, the ready price receded sharply from Rs.95-4-0 on the 15th May to Rs.75-4-0 on the 29th. On that date the Government announced a ban on all option and forward contracts in bullion, a maximum period of 12 days being allowed for the fulfilment of all spot contracts. The immediate result was a rise in prices owing to uncovered commitments entered into in spite of the previous ban and the rate of gold advanced to Rs.86-12-0 on the 1st June. During June the price ranged between Rs.86-12-0 and Rs.78-4-0 (10th June).

Trends in the silver market closely followed those in gold. In the first two months of the year the silver market was relatively steady with the spot price moving narrowly between Rs.82-14-0 and Rs.85-4-0. During the disturbed days that followed there was an outburst of speculation, particularly on the suspension of sales by the Reserve Bank from the 8th September, and the price consistently advanced, rising sharply to Rs.116-8-0 on the 8th November. It, however, reacted to Rs.95-8-0 by the 17th December partly on account of the turn in the war situation and partly on reports of the decision of the United States to Lend-Lease silver to the United Nations to supplement their stocks for purposes of coinage. Thereafter, apart from occasional setbacks arising from fears regarding the possibility of Government intervention to control silver prices, the market maintained a steady tone until March, the prices moving between Rs.97-14-0 and Rs.112-10-0. In the following three months speculative buying induced by an inflation complex became more pronounced and prices followed a steep though erratic upward course. The spot rate for silver which rose to Rs.135 on the 26th April advanced further to Rs.139 on the 3rd May, thereafter falling to Rs.117 on the 29th May, after which it became steady, and closed at Rs.123 for the year.

The Central Government floated during the year the 3 per cent. Loan 1951-54 (Third Defence Loan) from the 8th July 1942, which was closed on the 30th June 1943, and a special issue of the 3 per cent. Loan 1963-65 which opened on the 3rd October and closed on the 15th October while the Three-Year Interest-Free Defence Bonds and Ten-Year Defence Savings Certificates also continued to remain on offer. In addition, to assist in the funding of the liability involved in the redemption of Indian Railway Annuities, the Government of India on the 1st May 1943 announced a special issue of Rs.20 crores of the 3 per cent. Defence Bonds 1946 for sale through the Reserve Bank at prices ascertainable at the Bank from time to time. The issue price for these securities up to the 30th June 1943 was Rs.102-15-0 for every Rs.100 nominal.

The total subscriptions to the loans as on the 30th June 1943, were as follows :

	Rs.
3% Third Defence Loan 1951-54	53,16,36,800
3% Loan 1963-65	15,00,00,000
Three-Year Interest-Free Defence Bonds ..	3,15,22,937
3% 1946 Bonds (Special Issue)	6,06,84,100

Four Provincial Governments, viz., Bombay, the Punjab, Madras and the Central Provinces and Berar issued simultaneously on the 15th September, 3 per cent. medium-dated loans repayable at par in 1955, the total amount raised being Rs.7.75 crores. The proceeds of the loans were intended to be used for making advance payment of a part of the provinces' consolidated debt to the Central Government.

As announced in December 1941, the 3½ per cent. non-terminable sterling stock fell due for repayment on the 5th January 1943. Of the outstanding amount, stock repaid up to the 26th June 1943 amounted to **£56.69** million including **£2.37** million held in India. In view of the continued accumulation of sterling, the Government of India were also in a position during the period under review to make provision for the funding of their liabilities in respect of Railway Annuities and for the redemption of Railway Debenture Stocks. In terms of the agreement concluded by His Majesty's Government and the Government of India as announced at the end of September 1942, the British Government are to provide the Government of India with annual sums required for the repayment of Railway Annuities until their termination in return for an immediate lump sum payment of **£30.05** million by the Government of India. The capital portion of the Railway Annuities was **£27.06** million and the transaction amounted, in effect, to an investment by the Indian Government at 2½ per cent. realisable by varying instalments over a period, the total amount of payments after the 1st October 1942 to the annuitants being estimated at **£34.11** million. As regards the Railway Debenture Stocks, the United Kingdom and the Indian

Government Vesting Orders dated the 16th January 1943 called upon the residents in the two countries to surrender their holdings of the stocks on the basis of the prices prevailing on the date of the Vesting Orders plus an allowance for the delay in examining the documents surrendered for repayment. Out of the total outstanding stock of the face value of £20·2 million on the 15th January 1943, £16·71 million was acquired under the two Vesting Orders including £0·51 million under the Indian Order by the 12th March 1943 at a total cost of Rs.22·03 crores. Simultaneously with the announcement of the vesting of the above stocks, the requisite one year's notice was also given by the Secretary of State for India, as in the case of the 39 per cent. non-terminable sterling stock, for the redemption of the remaining three $3\frac{1}{2}$ per cent. Debenture Stocks of the nominal value of £11·1 million in respect of the East Indian Railway, the Great Indian Peninsula Railway and the Bombay, Baroda and Central India Railway on the 4th February 1944. The total amount of sterling liabilities redeemed during the year under review including open market purchases of £6·60 million amounted to \$112·80 million.

In the giltedged market in India the upward trend noticed during the closing months of the last year was continued, and prices showed a continuous improvement till November and after a slight setback in December remained steady for the rest of the year. The issue of the Third Defence Loan in the form of a re-issue of the 3 per cent. Loan 1951-54 from the 8th July had a stimulating effect on the market. Thereafter, the market remained steady and, with a limited turnover, mainly as a result of the internal political situation, the rates were largely nominal with rupee paper quoting around Rs.93. On the 2nd September the Government of India announced an upward revision in the minimum prices of Government securities fixed on the 2nd March 1942, the price for rupee paper being fixed at Rs.90 as against Rs.87 in March 1942. This coupled with the announcement on the 15th September of the 3 per cent. 1955 loans by four provincial governments, had a favourable effect on the market, and rupee paper rose to Rs.94 on the 15th September. On the 28th November the Government of India removed certain

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short-dated securities, viz., the 4 per cent. Loan 1943, the 5 per cent. Loan 1945-55 and the 5 per cent. U.P. Loan 1944 from the list of securities for which minimum **prices** were fixed on the 2nd September 1942. Thereafter, apart from a minor recession at the time of the enemy air raids over Calcutta towards the end of December, the market remained steady with rupee paper quoting around Rs.94 till about the close of the year. An announcement was made on the 14th May allowing the holders of Interest-Free Defence Bonds which fell due for repayment on the 10th June, the option of renewing them for a further period of three years subject to the original terms and conditions of issue. On the 26th June, the Government announced a further issue of the 3 per cent. Loan 1963-65 and the 3 per cent. Loan 1953-55 (Fourth Defence Loan) subscriptions to which were to be received from the 3rd July 1943. On the 30th June the price of $3\frac{1}{2}$ per cent. paper rose to Rs. 94-B-0, and on the 5th July 1943 to Rs. 95.

The Economic Adviser's Index number of fixed yield Government securities (1927-28=100) rose from 113.1 in June 1942 to 115.2 in July and steadily advanced to 116.3 in November, receding, however, to 115.8 in May 1943.

The industrial share market had a generally healthy trend during most of the year and the prices of **fixed-yield** as well as variable-yield industrial securities experienced a more or less steady improvement.

The markets were influenced in varying degrees by the war developments, the internal political situation, the measures of economic control and the general economic and monetary outlook in the country. In the Bombay share market there was a hesitant and uncertain trend towards the beginning, the market remained closed for the greater part of August and September and reopened for intermittent business on the 23rd September when most scrips were marked up. The Governing Board of the Bombay Stock Exchange had decided in July 1942 that the outstanding forward business should be liquidated before the termination of the October settlement about the middle of that month. Business thereafter was confined to cash transactions, but the improvement in prices continued with the revival of confidence among investors and

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became appreciable on the resumption of business in November. The news of enemy air raids over Calcutta in December brought about a sharp recession in prices of most shares, particularly iron and steel. The markets, however, soon developed a firm trend again on encouraging war news and thereafter prices tended steadily upwards except for a temporary relapse about the middle of March as a result of apprehensions regarding restriction of dividends on industrial shares. Also the rise appeared to be somewhat restrained on account of the exuberance of the commodity and bullion markets, forward transactions in which provided the main outlet for surplus short-term funds. The publication of the two ordinances in May relating to excess profits tax and control of capital issues followed by the cotton yarn and cloth control scheme, had a slight reaction on prices, while the closing of forward trading in commodities and bullion diverted speculative interest to the share market and led to a large increase in the volume of business and fluctuations in prices towards the close of the year.

The Economic Adviser's index number of variable yield securities, after remaining about 127 in the first two months, advanced to 136·3 in September and 149·2 in November and after reacting to 143·7 in December steadily went up to 174·5 in April 1943 and was lower at 170·7 in May. The improvement was most marked in cotton shares as it was in the prices of cotton manufactures among industrial articles, the index advancing from 117·5 in June 1942 to 216·1 in April 1943. Paper shares increased from 308·8 in June to 483·4 in April while cement rose from 211·4 to 297·7 during the same period. The rise in jute, coal, steel, tea and sugar shares was relatively smaller, though appreciable in itself. The index number of fixed-yield industrial securities went up from 137·0 in June 1942 to 159·8 in May 1943.

The Government of India published on the 17th May an amendment to the Defence of India Rules, inserting a new rule, namely 94-A, regarding control of capital issues which prohibits the floatation of new companies or the raising of any fresh capital by sale of shares, stocks, bonds and debentures without the consent of the Central Government. Besides prohibiting the publication of any

prospectus or offer of any shares for sale, the Order prohibits subscription by the public to any securities issued by a company in respect of any issue of capital in British India or elsewhere without the consent of the Central Government. The object of the new rule is, as announced by Government, mainly to prevent the growth of mushroom companies which stand little chance of survival in the post-war period and other undesirable practices such as the reconstitution or recapitalisation of concerns on the bases of their present abnormal profits to the detriment of an indiscriminating investing public.

Although the various financial markets were comparatively more active, particularly during the latter half of the year under report, the short-term money market was characterised by plethoric conditions and the call rate in Bombay was quoted at $\frac{1}{4}$ per cent. throughout the year except for a brief period towards the close of March and the beginning of April when the rate advanced to $\frac{1}{2}$ per cent. The effects on term money rates of the increased activity in the purchase and movement of commodities were, however, more pronounced. The three and six months' deposit rates which were quoted around $\frac{1}{2}$ per cent. and 1 to $1\frac{1}{4}$ per cent. in July declined to $\frac{1}{4}$ to $\frac{1}{2}$ per cent. and $\frac{1}{2}$ to $\frac{3}{4}$ per cent. respectively in August when business activity was at a low ebb partly as a result of the developments in the internal political situation. Owing to a slightly better demand for money in October, which usually marks the beginning of the busy season, the rates again rose to $\frac{1}{2}$ per cent. and 1 per cent. and towards the close of December registered a further improvement with the year-end demand for funds. The three months' rate rose from $\frac{1}{2}$ per cent. to $\frac{3}{4}$ per cent. on the 28th December 1942 and the six months' rate was marked up to 1 to $1\frac{1}{4}$ per cent. in January 1943. Since the beginning of February, the three months' and six months' rates improved further to $\frac{3}{4}$ to 1 per cent. and $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. respectively owing to the increased demand for funds for the financing of commodities such as cotton, sugar, and wheat and continued at the same level for the rest of the year. It is, however, interesting to note that there was no change in the 12 months' deposit rate which remained steady at $1\frac{1}{2}$ to $1\frac{3}{4}$ per cent. throughout the year.

During the year under review, the number of banks included in the second schedule to the Reserve Bank of India Act rose from 59 to 64 as a result of the addition of the National Savings Bank, Bombay, the Bharat Bank, Delhi, the Hind Bank, Calcutta, the United Commercial Bank, Calcutta, the Traders' Bank, Lahore and the New Bank of India, Lahore, and the exclusion of the Simla Banking and Industrial Company, Simla. Besides, the applications of 12 banks were under consideration at the end of the year. The number of banks included in the second schedule to the India and Burma (Burma Monetary Arrangements) Order, 1937, remained unchanged at 3, the total number of scheduled banks at the end of the year being 67. A list of these banks is appended to this report (Appendix B) .

In regard to the exclusion of banks which appeared no longer entitled to be retained in the second schedule, it was stated in the last year's report that the programme of inspection for the purpose of verification of the real value of paid-up capital and reserve had to be postponed owing to war developments and the consequent dislocation of prices which made it temporarily difficult to evaluate the banks' assets. With the return of more stable conditions, the programme of inspection was resumed and two banks to whom notices had already been issued were inspected during the year under review and as already mentioned one of these, namely, the Simla Banking and Industrial Co. Ltd. was excluded from the schedule by a Finance Department notification dated the 28th June, 1943.

The table given below compares the position of scheduled banks as on the 26th June 1942 and the 25th June 1943 :—

(In thousands of rupees)

	26-6-1942	25-6-1943	Difference
1. Demand Liabilities in India ..	267,15,50	417,99,39	+ 150,83,89
2. Time Liabilities in India ..	97,30,58	131,23,39	+ 33,92,81
3. Cash in hand in India . .	14,51,76	17,72,79	+ 3,21,03
4. Balances with Reserve Bank ::	60,92,78	54,71,76	- 6,21,02
6. Advances in India ..	94,30,20	141,30,17	+ 46,99,97
6. Bills Discounted in India ..	1,46,98	4,64,70	+ 3,17,72

The total demand and time liabilities showed an almost continuous rise during the period under review and on the 25th June 1943 stood at Rs.549·23 crores as compared with Rs.364·46 crores on the 26th June 1942. With the increase in deposits, average balances maintained by scheduled banks with the Reserve Bank, rose from Rs.41.98 crores in 1941-42 to Rs.55·82 crores in 1942-43, the excess over the statutory minimum being also higher at Rs.36·42 crores as against Rs.28·60 crores in the previous year. The large excess balances were also reflected in the sharp decline in the amount of penal interest paid by the banks for defaulting in the maintenance of the requisite balances with the Reserve Bank. The number of defaulting banks increased from 19 to 23 but the total amount of penal interest paid by them was reduced from Rs.4,709·6·2 in 1941-42 to Rs.1,115·2·5 during 1942-43. Advances and bills discounted of scheduled banks during the first eight months of the year were on a considerably reduced scale as compared with the corresponding period of the preceding year. During the last four months, however, as a result of various factors, such as rapidly rising prices, seasonal trade activity and possible speculative finance they were generally on a 'higher level and amounted to Rs.145.95 crores on the 25th June 1943 as compared with Rs.95·77 crores a year before. The proportion of advances and bills discounted to deposits also showed a slight increase from 26·28 per cent. on the 26th June 1942 to 26·57 per cent. on the 25th June 1943.

Owing to the prevalence of easy money conditions, few banks approached the Reserve Bank for financial accommodation during the year under review, the total amount of loans granted to four banks, one of which was a provincial co-operative bank, being Rs.348.25 lakhs.

The total number of offices of scheduled banks including head offices, branches, pay offices, etc., which had declined from 1,454 at the end of December 1941 to 1,405 on the 30th June 1942 rose to 1,600 on the 30th June 1943, showing an increase of 195 during the course of the year. The banks newly included in the schedule accounted for an addition of 94 offices, the net increase in the number of offices of the existing scheduled banks being 101. During

the period under review, 18 offices were opened at places which did not previously enjoy banking facilities offered either by a scheduled or a non-scheduled bank.

The Reserve Bank continued to receive the returns submitted by non-scheduled banks to the Registrars of Companies and to keep in touch with them. Some of these banks, particularly those situated in the eastern provinces, were subjected to a certain amount of withdrawals of deposits during the first five months of 1942 owing to the approach of war to India's borders, but with the gradual return of confidence deposits began to return, and the December 1942 balance sheets and cash reserve returns for subsequent months show that, in keeping with the trend in respect of scheduled banks, deposits of non-scheduled banks have also tended to rise.

During the year 5 non-scheduled banks were included in the list of banks approved for concession rates for remittances under Appendix III of the Reserve Bank's scheme of remittance facilities introduced in October 1940. One bank was, however, excluded from the list as it reduced its share capital below the minimum of Rs.50,000 required under the scheme. The total number of non-scheduled banks and indigenous bankers in the list was 62 and 3 respectively at the end of the year.

The second issue of the ' Statistical Tables relating to Banks in India' covering the year 1941 was brought out in July 1942. In view of the acute shortage of paper in the country, the publication of the next issue has, with the approval of the Government of India, been held over for a year; but the usual data are being collected and the manuscript will be kept ready for publication in due course.

It was mentioned in the last year's report that in accordance with their decision to hold over the question of comprehensive banking legislation and to consider only some interim measures involving the minimum of legislation to improve the administration of the law relating

Non-scheduled
Banks.

S t a t i s t i c a l
T a b l e s r e l a t -
i n g t o B a n k s
i n I n d i a

B a n k i n g
L e g i s l a t i o n .

to banking, i.e., Part XA of the Indian Companies Act, the Government of India had circulated a proposal to amend section 277F of the Act relating to the definition of a banking company by the insertion of a proviso to the effect that any company which uses the word "bank," "banker" or "banking" as part of its name shall be deemed to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order was its principal business or not. The amending bill which embodied this proposal received the assent of the Governor-General on the 1st October 1942 and was published in the Government of India Gazette of the 10th October 1942. In order, however, to allow companies now using any of these words to make the necessary changes in their names or business, it was provided that the Act shall come into force not earlier than one year from the date of its publication in the official Gazette after having received the assent of the Governor-General, that is, not earlier than the 10th October 1943. According to a recent Gazette of India Notification, November 1, 1943, has been fixed as the date on which the Amendment Act shall come into force. It is hoped that this amendment will obviate the difficulties of classification of companies into banking and non-banking companies by ensuring that a company which calls itself a bank complies with the provisions of the law relating to banks.

During the year under review, the Government of India circulated for public opinion another proposal to amend section 277I of the Indian Companies Act which requires a banking company to have Rs.50,000 as minimum paid-up capital before it commences business. The proposal requires in the first place that the subscribed capital shall not be less than half of the authorised capital and the paid-up capital shall not be less than half the subscribed capital. Secondly, it makes it obligatory on every banking company to issue only ordinary shares or in the alternative ordinary, preference or any other kind of shares provided that the capital structure is such as to allow of voting rights in proportion to the capital contributed by each class of shares. The suggestion regarding the proportion between authorised, subscribed and paid-up capital was included

in the proposals for an Indian Bank Act made by the Board in September 1939, but the proposal relating to the issue of various kinds of shares embodies their recommendation based on a study of banking companies floated since September 1939. The opinions received as a result of the circulation of the proposals have been sent to the Reserve Bank for examination, on the completion of which the Bank's final recommendations in the matter will be forwarded to Government. In the course of their examination of recent bank floatations the Board have also come across a number of undesirable features in the organisation and management of new banks, but this is a more controversial issue and it might be desirable to hold it over for consideration when the question of comprehensive banking legislation is taken up.

The activities of the Agricultural Credit Department continued to receive the careful attention of the Board throughout the year. The organisation of the Statistical and Research Section was extended towards the end of the year with a view to providing for the fuller study of problems of central banking and wartime fiscal and monetary developments as a background to the proper consideration of important questions during and after the war.

As usual the Agricultural Credit Section of the Department undertook an intensive study of a number of problems relating to agricultural credit, the co-operative movement, debt legislation, land mortgage banking etc. The services of the Department were utilised on an increasing scale by co-operative banks, Registrars of Co-operative Societies, and by Governments for advice on matters relating to the co-operative movement.

The work of compilation of the Statistical Statements relating to the Co-operative Movement in India was transferred to the Bank last year by the Government of India. The issue for the year 1940-41 was published in July 1942.

In the last report a reference was made to a scheme for extending financial accommodation to the co-operative central banks through the provincial co-operative banks for the purpose of financing seasonal agricultural operations or the marketing of crops at

special rates. The details of the scheme were worked out during the year and so far one provincial co-operative bank has taken advantage of the facilities, while another has declared its willingness to do so when the need arises.

No provincial co-operative bank approached the Reserve Bank for accommodation against Government paper during the year.

The balance sheet of the Bank as on the 30th June 1943 together with the Profit and Loss Account is re-
Operations of the Issue Department. produced on pages 27 to 31 of this Report. To facilitate comparison, the Profit and Loss Account figures for the preceding two years have also been incorporated.

The total of the balance sheet of the Issue Department which excludes Burma notes rose from Rs. 461·56 crores to Rs. 746·16 crores during the year owing to a steady increase in the note issue to meet the wartime demand for currency. On the liabilities side, the total of notes in circulation showed an increase of Rs. 285·25 crores from Rs. 447·23 crores to Rs. 732·48 crores. Of the assets, 'Gold Coin and Bullion' remained unchanged at Rs. 44·41 crores at the statutory rate of valuation. As a result of the rising war expenditure on behalf of His Majesty's and other Allied Governments payments for which are made in sterling, 'Sterling Securities' rose from Rs. 266·85 crores to Rs. 567·79 crores despite a transfer of Rs. 123·92 crores of securities in connection with the repatriation of sterling debt. The percentage of gold and sterling securities to total note issue liabilities stood higher at 82.05 as compared with 67.44 at the close of last year.

The amount of 'Rupee Coin' including Government of India one-rupee notes declined further from Rs. 28·00 crores to Rs. 15·55 crores as a result of increased demand by and issues to the public. The Bank received from the Government Rs. 36 crores of rupee coin during the year in terms of sub-section (3) in addition to Rs. 5 crores under sub-section (2) of section 36 of the Reserve Bank Act as amended on the 24th July 1940.

The value of 'Rupee Securities' which had increased from Rs. 122·29 crores to Rs. 194·36 crores on the 8th January 1943,

mainly as a result of the creation of *ad hoc* treasury bills in connection with the repatriation of sterling loans, declined to Rs. 118.41 crores on the 30th June 1943.

Owing to a slight fall in the Central Government and scheduled banks' deposits with the Bank, the total of the balance sheet of the Banking Department showed a decline during the year from Rs. 104.36 crores to Rs. 99.11 crores.

On the liabilities side, the total of Government deposits declined from Rs. 22.01 crores to Rs. 19.03 crores. These deposits showed larger fluctuations during the year owing to the considerable scale of receipts and disbursements, the highest and lowest balances being Rs. 40.56 crores and Rs. 12.04 crores on the 26th February 1943 and 21st August 1942 respectively.

The deposits of banks with the Banking Department which had shown a more or less continuous rise since the beginning of the year due to the advent of the busy season underwent a slight decline thereafter and were lower at Rs. 58.24 crores at the end of the year as compared with Rs. 64.63 crores at the close of the previous year.

On the assets side, 'Balances held abroad', declined from Rs. 80.39 crores to Rs. 75.88 crores. 'Bills Purchased and Discounted' and 'Other Loans and Advances' were, however, at a higher level than last year. Investments were slightly lower at Rs. 7.38 crores as compared with Rs. 8.24 crores in the preceding year while 'Other Assets' showed a rise from Rs. 1.23 crores to Rs. 1.28 crores.

In the last Report it was mentioned that although most of the recognised elements of inflation were present at the time there was no evidence that any serious inflation existed then ; and in connection with remedies for checking inflationary developments, the view was expressed that increased production of food was of particular importance. During the present year, the general economic and monetary outlook in the country continued, as in the previous years, to be affected by

**The Problem of
Inflation.**

the developments in the war situation from time to time, but the general background in this respect was one of growing confidence in the issue of the war. At the same time inflationary tendencies steadily gathered strength encouraging and being in turn encouraged by scarcities of essential commodities including foodstuffs and cloth, interruption in the production of which latter in some centres between August and November was an accentuating factor. The budget for 1943-44 presented on the 27th February revealed a considerable increase in the total defence expenditure of the country during 1942-43, though some falling off in that expenditure during the budget year was foreshadowed. This and the continuing large additions to the note circulation against sterling receipts during the latter half of the year, with the gradual realisation of the possibility of a long war, created a general speculation complex. There was a strong demand for commodities, bullion and real goods for speculative investment and hoarding for consumption which led to a rapid upward movement of prices and an outburst of activity in the forward markets. Thus psychological factors superadded to the basic monetary and economic facts operated towards creating a highly unsatisfactory and unstable situation, although it is not possible with any degree of accuracy to assess the relative significance of the former. Nor is it possible to measure the relative contribution of rising money incomes and the growing scarcity of goods to the rise in prices. The determined measures taken by Government during the last two months towards maintaining monetary and economic stability including, among others, the banning of forward trading in the bullion and cotton markets, the announcement of an all-in scheme of control of cotton yarn and cloth, and the definitive acceptance after the close of the year of the policy of extending and strengthening the existing controls in respect of foodstuffs have, however, helped towards restraining the rise in prices and, in some cases, bringing about an appreciable decline. In the present situation the most appropriate line of defence would appear to be the intensification of the existing physical and financial controls, including a sustained drive for encouraging savings, coupled with efforts to augment the supplies of necessary commodities. For, the maintenance of a reasonable supply of essential

consumers' goods is vital even to the efficiency of the war-effort, especially in a country like India with its very low standards of living, which are not capable of serious reduction without grave consequences to the health and morale of the people.

The connected problem of the increasing sterling assets of the Bank continues to constitute an anxious pre-occupation. While substantial portions of the balances have been put to use for the repatriation of Government's sterling debt including that incurred in connection with the railways, and there is a possibility of further large sums being utilised for funding other obligations, the balances left will still be considerable. The task before the Bank and the Government will be to ensure that these balances are available for employment in promoting the country's industrial development during the post-war period and strengthening its status in international trade.

By Order of the
Central Board of Directors,
C. D. DESHMUKH,
Deputy Governor.

BANKING DEPARTMENT

LIABILITIES				ASSETS			
	Rs.	a.	p.		Rs.	a.	p.
Capital paid up	5,00,00,000	0	0	Notes	13,68,38,934	0	0
Reserve Fund	5,00,00,000	0	0	Rupee Coin	14,66,862	0	0
Deposits :-				Subsidiary Coin	1,45,663	7	3
(u) Government-				Bills Purchased and Discounted :-			
(1) Central Government of India.	8,42,28,904	11	3	(a) Internal	<i>Nil.</i>		
(2) Government of Burma	62,94,490	12	8	(b) External	<i>Nil.</i>		
(3) Other Government Accounts.	9,98,08,947	11	0	(c) Government Treasury Bills	50,96,779	1	9
(b) Banks	58,24,16,970	3	7	Balances held abroad*	75,88,06,861	12	6
(c) Others	3,04,41,709	7	0	Loans and Advances to Governments	<i>Nil.</i>		
Bills Payable	1,60,35,239	5	4	Other Loans and Advances	22,00,000	0	0
Other Liabilities	7,18,51,495	4	9	Investments	7,37,67,855	10	9
				Other Assets**	1,27,54,801	7	4
Total Rs.	99,10,77,757	7	7	Total Rs.	99,10,77,757	7	7

(28)

* Includes Cash & Short term Securities.

** Included in the above is the sum of Rs.6,46,066 being the book value of Dead Stock now in enemy occupied territory.

C. R. TREVOR,
Chief Accountant.

C. D. DESHMUKH,
Deputy Governor.

Dated the 14th day of July, 1943.

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS

OF THE RESERVE BANK OF INDIA.

We, the undersigned Auditors of the Reserve Bank of India, do hereby report to the Shareholders upon the Balance Sheet and Accounts of the Bank as at 30th June, 1943.

We have examined the above Balance Sheet with the Accounts, Certificates and Vouchers relating thereto of the Central Office and of the Offices at Calcutta; Bombay, Madras and with the Returns submitted and certified by the Managers of the other Offices and Branches, which returns are incorporated in the above Balance Sheet, and report that where we have called for explanations and information from the Central Board such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair ~~Balance~~ Sheet containing the particulars prescribed by, and in ~~which~~ the assets have been valued in ~~accordance~~ with, the Reserve Bank of India Act, 1934, and the Regulations framed thereunder and is properly drawn ~~up~~ so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books of the Bank. Owing to war conditions we have accepted ~~telegraphic~~ returns from London.

(29)

S. B. BILLIMORIA & CO.,
P. K. GHOSH,
SASTRI & SHAH,
Auditors.

Dated the 14th July, 1943.

RESERVE BANK OF INDIA

Profit and Loss Account

	FOR THE YEAR ENDED								
	30th June 1943			30th June 1942			30th June 1941		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
INCOME									
Interest, Discount, Exchange, Commission, etc.	9,19,19,375	10	1	4,56,44,511	1	0	3,81,79,071	1	9
EXPENDITURE									
Establishment	43,40,598	2	3	39,08,266	2	5	36,38,690	15	0
Directors' and Local Board Members' fees and expenses	92,372	13	0	86,833	8	0	92,115	5	6
Auditors' fees	12,000	0	0	12,000	0	0	12,000	0	0
Rent, Taxes, Insurance, Lighting, etc.	4,10,419	15	5	4,56,461	12	7	4,32,204	0	1
Law charges	2,777	0	0	1,467	0	3	6,355	14	9
Postage & Telegraph charges	1,10,864	12	6	1,15,581	0	11	93,266	2	4
Remittance of Treasure	28,95,141	15	0	19,50,516	10	1	20,73,753	7	9
Stationery, etc.	1,48,066	13	3	1,55,997	15	3	1,03,368	6	2
Security Printing—(cheque, note forms, etc.)	21,12,237	13	6	8,88,215	12	6	5,95,346	1	1
Depreciation and Repairs to Rank's property	3,47,496	10	2	4,25,378	1	2	3,56,964	1	1
Agency charges	39,89,934	11	11	29,67,134	1	11	25,05,340	13	3
Contributions to staff and superannuation funds:	73,300	0	0	75,300	0	0	76,400	0	0
Miscellaneous expenses	4,03,424	12	2	4,48,677	14	0	2,68,817	5	11
Net available balance	7,69,80,740	3	0	3,41,53,681	2	0	2,79,26,447	3	3
Total	9,19,19,376	10	1	4,56,44,511	1	0	3,81,79,071	1	9

(30)

Profit and Loss Account-continued.

	FOR THE YEAR ENDED								
	30th June 1943			30th June 1942			30th June 1941		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Amount set aside for payment of dividend at the rate of $3\frac{1}{2}$ per cent. per annum	17,50,000	0	0	17,50,000	0	0	17,50,00	0	0
Amount transferred to the Reserve Fund	<i>Nil.</i>			Nil.			<i>Nil.</i>		
Surplus available for payment of an additional dividend at the rate of $\frac{1}{2}$ per cent.	2,50,000	0	0	Nil.			<i>Nil.</i>		
Surplus payable to the Central Government	7,49,80,740	3	0	3,24,03,681	2	0	2,61,76,44	3	3
Balance carried forward	<i>Nil.</i>			<i>Nil.</i>			<i>Nil.</i>		
Total	7,69,80,740	3	1	0	3,41,53,681	0	2,79,26,44	3	3

RESERVE FUND ACCOUNT

By Balance on 30th June 1943	Rs. 5,00,00,000	a. 0	p. 0
By transfer from Profit and Loss Account	Nil.		
ToM Rs.	5,00,00,000	0	0

C. R. TREVOR,
Chief Accountant.

C. D. DESHMUKH,
Deputy Governor.

Dated the 14th July, 1943.

APPENDIX A

Government of India Legislative Department

New Delhi, the 30th June, 1943.

ORDINANCE No. XX OF 1943

AN ORDINANCE

temporarily to limit the rate at which dividend on the share capital of the Reserve Bank of India may be paid by the Bank to shareholders.

WHEREAS an emergency has arisen which makes it necessary temporarily to limit the rate at which dividend on the share capital of the Reserve Bank of India may be paid by the Bank to shareholders ;

NOW, THEREFORE, in exercise of the powers conferred by section 72 of the Government of India Act, as set out in the Ninth Schedule to the Government of India Act, 1935 (26 Geo. 5, c. 2), the Governor-General is pleased to make and promulgate the following Ordinance :-

1, *Short title and commencement.*-(1) This Ordinance may be called the Reserve Bank of India (Limitation of Dividend) Ordinance, 1943.

(2) It shall come into force at once.

2. *Limitation of dividend.*-Notwithstanding the provisions of section 47 of the Reserve Bank of India Act, 1934 (II of 1934) and of the Fourth Schedule to that Act, the aggregate of the rates at which payment of the cumulative dividend and the additional dividend payable to shareholders of the Bank under the said provisions is made shall not, so long as this Ordinance remains in force, exceed four per cent. per annum on the share capital of the Bank ; and the balance of the surplus of the net annual profits of the Bank shall be paid to the Central Government.

LINLITHGOW,

Viceroy and Governor-General.

G. H. SPENCE, Secy.

APPENDIX B

(a) Scheduled Banks.

1. Ajodhia Bank.
2. Allahabad Bank.
3. American Express Co.
4. **Banco Nacional Ultramarino.**
5. **Bank of Baroda.**
6. Bank of Behar.
7. Bank of China.
8. Bank of Communications.
9. Bank of **Hindustan.**
10. Bank of India.
11. Bharat Bank.
12. Bengal Central Bank.
13. Calcutta Commercial Bank.
14. Calcutta National Bank.
15. Canara Bank.
16. Canara Banking Corporation.
17. Canara Industrial & Banking Syndicate.
18. Central Bank of India.
19. Chartered Bank of India, Australia & China.
20. Comilla **B**anking Corporation.
21. Comilla Union Bank.
22. Comptoir National D'Escomte de Paris.
23. **Devkar**an Nanjee Banking Co.
24. Dinajpore Bank.
25. Eastern Bank.
26. **Grindlay & Co.**
27. Habib Bank.
28. Hind Bank.
29. Hongkong & Shanghai Banking Corporation.
30. Imperial Bank of India.
31. Indian Bank.
32. Indian **O**verseas Bank.
33. **I**ndo-**C**ommercial Bank.
34. Industrial Bank of Western India.
35. International Bank of India.
36. **J**wala **B**ank.
37. **K**arnani Industrial Bank.
38. Laxmi Bank.
39. **L**loyds Bank.
40. Mercantile Bank of India.

41. Mohaluxmi Bank.
42. **Nadar Bank.**
43. Nath Bank.
44. National Bank of India.
45. National City Bank of New York.
46. National Savings Bank.
47. **Nedungadi Bank.**
48. Netherlands India Commercial Bank.
49. Netherlands Trading Society.
50. New Bank of India.
51. New Citizen Bank of India.
52. New Standard Bank.
53. **Noakhali Union Bank.**
54. Oudh Commercial Bank.
55. **Palai Central Bank.**
56. Pioneer Bank.
57. Punjab & Sind Bank.
58. Punjab Co-operative Bank.
59. Punjab National Bank.
60. Thos. Cook & Son (Bankers).
61. Traders' Bank.
62. Union Bank of India.
63. United Commercial Bank.
64. United Industrial Bank.

(h) *Burma Scheduled Banks.*

1. Bank of Upper Burma.
2. **Oversea** Chinese Banking Corporation.
3. U Rai **Gyaw** Thoo & Co.