RESERVE BANK OF INDIA

Report of the Central Board of Directors

for the year ended June 30, 1953

SUBMITTED TO THE CENTRAL GOVERNMENT
IN TERMS OF SECTION 53 (2) OF THE
RESERVE BANK OF INDIA ACT

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AUGUST 1953

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OF THE

CENTRAL BOARD OF DIRECTORS

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CENTRAL BOARD OF DIRECTORS

Governor	Shri Benegal Rama Rau
Deputy Governors	Shri N. Sundaresan Shri Ram Nath
Directors, Nominated under Section 8(1) (b) *of the Reserve Bank of India Act.*	Shri Purshotamdas Thakurdas Shri B. M. Birla Shri Shri Ram Shri C. R. Srinivasan
Directors, Nominated under Section 8(1)(c)	Shri Manilal B. Nanavati Shri J. R. D. Tata Shri B. D. V. Ramasawmy Naidu Shri Dhirendra Nath Sen Sahu Jagdish Prasad
Director, Nominated under Section 12 (4)	Prof. D. R. Gadgil
Director, Nominated under Section 8(1) *(d)*	Shri S. G. Barve, I.C.S., Joint Secretary to the Government of India, Ministry of Finance (Department of Economic Affairs).

MEMBERS OF LOCAL BOARDS

WESTERN AREA

Shri Purshotamdas Thakurdas

Shri Mathuradas Mangaldas Parekh

Shri Vaman Pundalik Varde

Shri Mohan Lal Tannan

Shri K. C. Mahindra

EASTERN AREA

Shri B. M. Birla

Shri Jiban Krishna Mitter

Mr. 0. T. Jenkins

Dr. Bimala Churn Law

Shri Peary Mukherjee

NORTHERN AREA

Shri Shri Ram

Shri Satya Paul Virmani

Sahu Jagdish Prasad

Shri S. Gurdial Singh Uppal

Shri Rishi Narain Shastri

SOUTHERN AREA

Shri C. R. Srinivasan

Shri R. Ramanathan Chettiar

Shri P. Suryanarayana

Shri S. Anantharamakrishnan

Shri Bikkini Venkataratnam Chowdhury

OFFICES AND BRANCHES OF THE BANKING DEPARTMENT	BRANCHES OF THE ISSUE DEPARTMENT
Bombay	Bombay
Calcutta	Calcutta
Delhi	Delhi
Kanpur	Kanpur
Madras	Madras
Bangalore	
London	

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

For the year July 1, 1952—*June 30,* 1953

In accordance with Section 53(2) of the Reserve Bank of India' Act, 1934, the Central Board of Directors submits to the Central Government this Annual Report on the working of the Bank and, the Accounts of the Bank for the nineteenth accounting period beginning on July 1, 1952 and ending on June 30, 1953.

The Indian Economy in 1952-53

2. During the greater part of the year under review,. the Indian economy displayed a substantial degree of stability. Monetary and fiscal measures taken during 1951-52 had the effect of moderating the inflationary pressures in the economy appreciably by the middle of 1952. This trend was reinforced by the reversal of the' inflationary movements abroad, following the adoption of dearer money policies by several countries and the easing of tension in international relations. This disinflationary movement, if it had been carried too far, might have produced adverse repercussions on production. There was, therefore, a shift in emphasis in respect of economic policy, which was concerned during the year less with holding inflation in check than with assisting through various measures the attainment of higher production.

Disinflation in 1951-52

3. The disinflationary measures adopted in 1951-52 have been explained in considerable detail in the Annual. Report submitted last year and it is sufficient for the present purpose to recount briefly their impact on the economy. The new monetary policy, initiated in November 1951, imposed an effective check on monetary expansion and the pattern of interest rates also moved up. These adjustments curbed speculative lending and enabled, the Reserve Bank to exercise an effective control on the magnitude and purpose of bank advances. This disinflationary trend was also assisted by an overall budgetary surplus of Rs. 7 crores, which was

achieved despite an increase in development. outlay in that year by the Central and State Governments under the first Five-Year Plan.

4. At the same time, the reduction in export earnings, consequent upon a fall in international demand, and the increase in imports made possible by the American Wheat Loan and assistance received under the Colombo Plan, helped to reduce the money supply with the public. Industrial output also rose appreciably and helped to increase the supplies in the domestic market. The general index of wholesale prices (Economic Adviser's index, *base* : year ended August 1939=100) fell from 425 at the beginning of February 1952 to 365 by the middle of March 1952, due largely to a very sharp decline in the prices of industrial raw materials and important export commodities. The nervousness created by this break in commodity prices spread to the bullion and security markets which registered heavy declines. For a while, it appeared as if a severe depression was imminent. But timely measures were taken by Government to bring about a revival of confidence and to arrest the steep fall'in prices. Reduction in export duties, especially on hessian and sacking, lifting of quota and destinational restrictions on a variety of exports and declaration of Government's willingness to buy at listed prices cotton held by banks as security against advances were some of the measures taken. The liberal advances granted by the Reserve Bank against Government securities and usance bills helped in the same direction. As a result of all these measures, the general index of prices rose gradually to 381 by the end of June 1952.

Price Movements in 1952-53

5. This movement in prices had, by the beginning of July 1952, allayed to some extent the fears of a severe recession. The continued upward trend in production also helped to restore confidence. The general index of industrial production *(base : 1946=100)* rose from 121·6 in June 1952 to 138·6 in December 1952.

6. Some doubts 'regarding the trend of foreign and domestic prices persisted, and in September 1952 prices sagged. again as foreign offtake of commodities like jute manufactures, tea and cotton, textiles, diminished. This trend continued till December, the general. index falling. by the middle of that month to 372. But the decline in prices was unevenly distributed, the fall in raw,

material prices and in prices of export goods being greater than in the case of manufactured articles and foodgrains.

7. After December, however, there was an almost uninterrupted rise in prices, especially in the second quarter of 1953. By early July 1953, the general price index had risen to 407, or 6·6 per cent higher than at the beginning of the accounting year and 2·4 per cent higher than the pre-Korean level (June 24, 1950). A variety of factors contributed to this upswing. Towards the beginning of 1953,. commodity markets tended to become bullish on account of expectations of smaller output in the 1952-53 season, especially in respect of cotton, groundnuts, black pepper and tea. Stocks of raw materials built up in the first half of 1952 had been drawn upon. There was a further increase in pressure on domestic supplies, due to a steep fall in imports. The export demand for coarse and medium cotton textiles increased and this brought about a rise in the price of indigenous raw cotton.

Causes for the Recent Rise in Prices

8. A factor of some importance which, in addition to those already mentioned, accounts for the recent rise in prices appears to be the revival of speculative interest in certain commodities. In the case of foodgrains, though the domestic output for the year as a whole was, in the aggregate, somewhat higher than in the previous year, there were certain pockets of scarcity and in certain other areas removal of restrictions on movement of foodgrains led to an increase in price levels.

9. The rise in prices since December 1952 and in particular the increase after April 1953 and the causes underlying it require careful further consideration, for which adequate data are not at present available. This rise has taken place against the background of a declining trend in world prices, though it may be noted that prices in the U.S.A. and U.K. in June 1953 were still higher than what they were in the pre-Korean period, whereas prices in India were not much higher than they were before the Korean con&t started. The trend in Indian prices cannot, therefore, be explained in terms of the trend in world prices, and except in the case of tea and, possibly raw cotton, there was little external stimulus for the increase in domestic prices. Nor does the rise appear to be due to monetary factors. As explained later in this Report, the expansion of money supply in the busy season of 1952-53 was not abnormal, and as usual there was a return of funds in the first two months of the current slack season.

10. A feature to be noted since December 1952 has been the significant rise in those prices which enter appreciably into the cost structure of manufacturing industries. Prices of industrial raw materials and of food articles have increased sharply ; in the period January to June 1953, the index of raw material prices rose by over 12 per cent and the index of food articles by nearly 17 per cent. On the other hand, the price index of semi-manufactures increased by only 6 per cent, while that of manufactured articles actually fell by 0·2 per cent. The index of industrial production, which was on the whole rising in 1952, reached a peak of 138·6 in December; but fell to 130·8 in March 1953. In April, however, the upward movement reasserted itself and the index touched the record level of 141·2. Figures for subsequent months are not yet available. In view of these fluctuations, it is not possible at this stage to draw any definite inferences as to the implications of this increase in prices.

Prices and Industrial Output

11. During the year, money supply was adjusted to seasonal demands in an orderly manner. Money supply with the public contracted by Rs. 111 crores during the slack season of 1952. Despite the fact that in the preceding busy season money supply had increased by only Rs. 8 crores, this diminution had, as explained below, no untoward effect on the money market. With the onset of the busy season, the increased demand for money was matched by an increase in supply. Between October 25, 1952 and May 8; 1953, covering the busy season, money supply increased by Rs. 87 crores. As in the previous year, the seasonal expansion in money supply was due to an increase in the currency component. Currency with the public rose by Rs. 109 crores, while deposit money fell by Rs. 22 crores. In the same period, there was an expansion of Rs. 78 crores in. scheduled bank credit. In, the first two months of the current slack season, money supply declined by Rs. 40 crores and at the end of June 1953, it was about Rs, 10 crores less than at the beginning of (July 1952.

Money Supply

12. The reduction in money supply and scheduled bank credit during the slack season of 1952 was not such as to lead to monetary stringency. There was a gradual easing of money rates during the entire period. Towards the end of the slack season, the call money rate of the larger scheduled banks came down to $\frac{1}{2}$-$\frac{3}{4}$ per cent from around 3 per cent at the beginning of May 1952, and the three months' deposit rate. also declined to 2-2$\frac{1}{2}$ per cent from 3$\frac{1}{4}$ per cent in May. In the 1952-53 busy-season, call money rates moved

up to the previous busy season's levels of 3 per cent in the case of larger scheduled banks and $3\frac{1}{4}$ per cent for the smaller banks. In general, the movement in interest rates during the busy season was in accordance with anticipations and reflected a smooth adjustment of money supply to demand.

The Gilt-Edged Market

13. There were also other indications of the adequacy, of money supply during the year. The gilt-edged market remained steady throughout the year, and there was no liquidation of securities by the public in the busy season. The all-India index of Government of India security prices rose by over 1 per cent in the busy season, from 91·1 in September 1952 to 92·3 in April 1953. The State Governments were able in August 1952 to borrow at 4 per cent a gross amount of Rs. 17·1 crores. The cash-cum-conversion issue in June 1953 of the first series of Government of India $3\frac{1}{2}$ per cent National Plan Bonds, 1961 for Rs. 75 crores, was fully subscribed, cash subscriptions amounting to Rs. 23·4 crores, and subscriptions through conversion of the 3 per cent Loan, 1953-55 amounting to Rs. 51·9 crores. Sales of Government of India three months' Treasury bills to the public were resumed in September 1952, though as the busy season advanced, the weekly issue was lowered from Rs. 2 crores to Rs. 1 crore and the average rate of discount rose in line with other money rates from Rs. 2-O-2 to Rs. 2-7-O.

Share and Bullion Markets

14. Equity and bullion markets, however, tended to be somewhat bearish, and the volume of transactions was substantially lower than in the previous year. In the equities market, price variations were largely 'due to such factors as changes in international situation and the narrowing of the margin between the prices of raw materials and those of manufactured articles. In fact, the reduced volume of transactions, due to a fall in speculative activity on the stock and commodity markets, had itself reduced the pressure of demand for funds.

Commercial Bank Credit and the Operation of the Bill Market Scheme

15. Finally, the banking system was able to meet the busy season demand for credit without resorting to any extensive borrowing from the Reserve Bank or large-scale reduction in their holdings of investments, other than Treasury bills. Gross borrowings from the Reserve Bank under the Bill Market scheme amounted to Rs. 60·8 crores in the period January-June 1953, as compared to Rs. 74·0 crores in the corresponding period of 1952. Only 7 out of 14

banks approved under the Bill Market scheme applied for limits and the limits fixed in their favour aggregated: Rs. 47 ·9 crores. As against the peak of Rs. 29·6 crores touched on May 10, 1952, by loans outstanding against bills, the maximum reached in 1952-53 was Rs. 20·3 crores on June 9, 1953. On June 30, 1953, outstanding advances amounted to Rs. 10·3 crores, as compared to Rs, 17·7 crores as on June 30, 1952. Advances against Government securities under Section 17(4)(u) of the Reserve Bank of India Act amounted to Rs. 113·2 crores between July 1952 and June 1953, as against Rs. 166·6 crores granted during the corresponding period of the previous, year. By and large, banks preferred to finance their advances through a reduction in their cash reserves, short-term borrowing abroad and liquidation of Treasury bills. The ratio of cash and balances with the Reserve Bank to total deposit liabilities of scheduled banks fell from 11·82 per cent at the beginning of September 1952 to 8·54 per cent at the end of April 1953, as compared to a minimum of 8·95 per cent reached in the 1951-52 season (February 22, 1952). The exchange banks' foreign borrowings during the busy season amounted to nearly Rs. 19 crores as against Rs. 15 crores in the corresponding season of the previous year.

Surplus in Balance of Payments

16. It is expected that during the year July 1952 to June 1953 there would be a surplus on current account in the country's balance of payments, as a result of Government's trade policy. During the second half of 1952, while the trade balance showed a small surplus of Rs. 4·5 crores, the net surplus on current account was Rs. 43·4 crores as against a deficit of over Rs. 80 crores in the first half of 1952. This has been a factor in easing the money supply position during the busy season. Preliminary estimates for the first quarter of 1953 reveal a continuation of the trend, though the current account surplus at Rs. 17·1 crores is smaller than in the fourth quarter of 1952. These surpluses were due entirely to a steep fall in imports on both private and Government accounts. In view of the unusually high level of imports in the first half of 1952, this fall was, to some extent, inevitable. Government imports, especially food imports, were much smaller in the latter half of 1952. The falling trend in import prices also contributed to the decline in imports, which in the second half of 1952 at Rs. 298 crores were nearly Rs. 150 crores less than in the first six months of 19.52. Private imports fell very much more steeply than Government imports and it was only in the fourth quarter of 1952, by which time stocks built up in the first

half of the year were used up substantially, that private imports revived to some extent. The revival, however, was moderate, and since Government's programme of food imports during the current year was considerably reduced, the balance of payments position was not affected adversely.

17. Side by side with import payments, export earnings also fell in the second half of 1952 by Rs. 16 crores. The dear money policies followed in several countries in 1951-52, import restrictions imposed by Commonwealth countries and the stretching out of the defence expenditure by the U.S.A. had the effect of reducing export receipts in the first half of 1952, and the fall in the succeeding quarters was not therefore marked. In the last quarter of 1952, when the volume of exports declined, receipts did not fall off to the same extent owing to a rise in prices. On balance, therefore, export earnings remained fairly steady though at a lower level than in 1951, but as a result of the decline in import payments mentioned above there was actually a surplus on current account in the balance of payments position.

Rise in Sterling Assets

18. This surplus was utilised partly to repatriate a large part of the short-term funds borrowed from abroad during 1950-52. Even after allowing for these and other private transfers of capital, the sterling balances of the Reserve Bank increased from £ 511 million on June 30, 1952 to £ 536 million on June 30, 1953. There was, therefore, no need for India to draw on the release of £ 35 million available for the period 1952-53.

Financing the Five-Year Plan

19. The year under report saw the completion of the second and the beginning of the third year of the Five-Year Plan, a revised version of which was published in December 1952. The main features of this revised Plan are now known. Reviewing the progress so far made, the Planning Commission published a Report, in the middle of May this year, which estimated that development expenditure in the public sector had increased from Rs. 262 crores in 1951-52 to Rs. 322 crores in 1952-53, or a total of Rs. 584 crores in the two-year period. In 1953-54, development outlay is expected to be of the order of Rs. 413 crores. In the remaining two years (1954-56), therefore, development outlay in the public sector will have to be stepped up to an average of over Rs. 600 crores per annum, in order to reach the five-year target of Rs. 2,069 crores set by the Planning Commission.

20. As regards the financing of the development programme in the public sector, the Planning Commission has estimated that the Central and State Governments together would be able to raise internal resources amounting to Rs. 1,258 crores in the five-year period. In addition, external resources already received by India in the form of loans and grants will help to finance the programme to the extent of Rs. 156 crores. On present estimates, therefore, the resources available to the public sector amount altogether to Rs. 1,414 crores, leaving a balance of Rs. 655 crores to be covered through further external resources that may be forthcoming or internal taxation and borrowing or deficit financing.

Capital Requirements of the Private Sector

21. As regards the private sector, it is estimated by the Commission that the total capital investment necessary for industrial expansion during the five-year period would be of the order of Rs. 383 crores including the requirements for replacement and modernisation ; in addition, the requirements in regard to working capital and current depreciation expenditure not covered by normal income-tax allowances are put at Rs. 150 crores and Rs. 80 crores, respectively. The sources of finance estimated by the Planning Commission are as follows : foreign investment, Rs. 100 crores; savings of corporate enterprises in the industrial sector, Rs. 200 crores ; new issues of capital, Rs. 90 crores ; refunds of E.P.T. deposits, Rs. 60 crores ; assistance from the public sector, Rs. 5 crores and provision by banks and other sources of short-term finance, Rs. 158 crores.

22. In the absence of statistical data, no quantitative assessment of private industrial investment during the two-year period 1951-53 or of the magnitude of resources available to the private sector is possible. Nor is it possible to estimate the volume of savings which might be left for investment in the private sector after meeting the claims of investments in the public sector. The higher rates of interest prevailing and additional incomes generated by Government expenditure might be expected to stimulate private savings. But it is difficult at this stage to judge whether and to what extent these savings are likely to find their way into investment, especially having regard to the classes of people to whom the additional incomes are likely to accrue.

Banking Inspection and Supervision

Operational Matters

23. Turning now to operational matters, the activities of the Bank during the period under review may be considered under four broad headings : ***(i)*** steps taken to promote sound banking practices in the country, ***(ii)*** facilities afforded by the Reserve Bank to commercial banks, ***(iii)*** measures taken to extend banking facilities in the country, especially in the rural sector and *(iv)* provision of training facilities for employees of banks and co-operative institutions.

Inspection of Banks

24. The programme of inspection of banks which was started in 1950 with a view to promoting soundness in the financial position and in the methods of operation of banks was taken a step further during the year under review. Between July 1952 and June 1953, 24 scheduled and 99 non-scheduled banks were inspected, completing the first round of inspection of all scheduled banks and bringing the total number of banks inspected so far to 374. Of these, 265 banks were inspected under Section 22 of the Banking Companies Act, 1949, for ascertaining their eligibility for the grant of licence to carry on banking business. The remaining 109 banks were inspected under Section 35 of the Act in order to assess their overall financial position and methods of operation. In addition, 7 banks were inspected during 1952-53 in connection with their applications for grant of moratoria, one bank for issuing a certificate to the Court to the effect that it was unable to pay its debts and one bank in connection with its scheme of arrangement. Seven banks were also reinspected under Section 22 and eleven banks under Section 35 of the Banking Companies Act, with a view to verifying the progress made by them since the previous inspection. Reinspection of two scheduled banks was in progress at the end of the year.

25. The inspections conducted during the year revealed, as in earlier years, several defects in methods of operation, which were pointed out to the banks concerned. Suggestions for rectifying them were offered, and some of the banks have been asked to submit progress reports indicating the corrective steps taken by them. As on June 30, 1953, 22 banks were submitting monthly progress reports and 233 banks quarterly progress reports.

26. A review of the progress reports submitted by banks previously inspected and the reinspections conducted by the Reserve

Bank clearly illustrated that the banks in general accepted the Reserve Bank's advice and directions in the matter of putting their house in order. In certain cases, however, the progress achieved was unsatisfactory and the banks concerned were advised to take more effective steps to improve their working. In cases where the defects were of a serious nature and the progress made in regard to their rectification was not satisfactory, stringent action had to be taken. Three scheduled banks in respect of which it was found that the managements were incapable of safeguarding the interests of the depositors even when they were given the necessary opportunities of doing so, had to be excluded from the Second Schedule to the Reserve Bank of India Act. The policies pursued by some of the banks necessitated a close watch over their day-to-day affairs by an officer deputed by the Reserve Bank. The officer so deputed attends the bank daily or periodically, as may be considered necessary, and besides examining the books of account, attends the Board Meetings of the bank as an observer. As on June 30, 1953, six banks were under such observation.

27. Deterioration in the affairs of banks was often found to be due to the wide powers vested in their chief executive officers or due to their ignorance of proper banking practices. It was, therefore, suggested to banks of this type that they should appoint suitable persons as banking advisers, subject to informal approval by the Reserve Bank ; during the year three banks appointed such advisers.

Enforcement of Provisions of the Banking Companies Act. 1949

28. The Reserve Bank continued to watch closely the observance of the provisions of the Banking Companies Act, 1949, by banks in the country. Some of the companies 'which did not satisfy Section 11 of the Banking Companies Act relating to minimum capital requirements were granted extension of time for different periods upto March 15, 1953 to enable them to comply with those provisions. Of the companies so directed, some raised their paid-up capital and reserves or reduced their area of operation to the extent necessary, while others suspended their banking business with a view to converting themselves into non-banking companies or going into liquidation. Since the Reserve Bank could not grant extension of time beyond March 15, 1953, the remaining non-complying banks were asked to apply to the Government for exemption.

29. Defaults under Section 18 regarding the maintenance of cash reserves by non-scheduled banks and under Section 24

relating to the maintenance of a minimum of 20 per cent of their total demand and time liabilities in liquid assets were generally of a casual nature and there was no occasion to resort to penalties prescribed under Section 46 of the Banking Companies Act. Section 24 of the Banking Companies Act became applicable to banking companies incorporated in and confining their activities to Part B States with effect from April 1, 1953. On a representation received from the Travancore-Cochin Bankers' Association, the Reserve Bank recommended to Government the exemption of banks incorporated in and confining their activities to the Travancore-Cochin State from the provisions of Section 24(1) of the Act upto April 1, 1954, provided they maintained not less than 10 per cent of the total liabilities in eligible assets as prescribed under the Act, and the recommendation was accepted by Government.

30. Some of the exemptions from the provisions of the Banking Companies Act, granted to banks in the previous years, were extended for limited periods. Apropos of the requirements under Section 24, banks have been permitted for a further period of one year from June 9, 1953 (a) to exclude borrowings from the Imperial Bank of India in computing their liabilities and (b) to treat as unencumbered their approved securities lodged with other banking companies or institutions for an advance or credit arrangement to the extent that such an advance or credit arrangement is unutilised. Further, banking companies were also exempted from the provisions in respect of the valuation of investments in Government securities while preparing the balance sheets as on the last working day of 1952, provided they showed separately the average book value of such investments in the 18 months immediately preceding the last working day of the year 1952, calculated in accordance with the average market value of each type of Government security over the period as determined by the Reserve Bank of India. As in the previous year, banks were allowed, if they so desired, to draw upon their statutory reserve funds for writing off losses on investments in Government securities before declaring dividends for the year 1952.

Action Regarding Lending Policy of Banks

31. As regards the lending policy of banks, restrictive action had to be taken in only two instances. One non-scheduled bank was prohibited from enlarging its advances and one scheduled bank was advised that in case it granted any further advances to its directors it would be excluded from the Second Schedule to the Reserve Bank of India Act. Apart

from these special cases, there was little need for drastic measures in regard to advances by banks in general or by any particular group. The daily returns of credit limits of Rs. 1 lakh and over sanctioned by scheduled banks to individual borrowers disclosed little evidence of direct speculative lending. For the most part, therefore, the Reserve Bank confined its activities to cautioning banks against maintenance of an over-extended position and advising them to restrict unsecured advances and advances against immovable properties or fixed assets. Wherever necessary, the attention of banks was drawn to the need for diversification of risk as regards securities as well as borrowers, independent valuation of securities lodged with banks, adequate insurance of goods pledged and hypothecated or house properties mortgaged and maintenance of reports on the credit-worthiness of borrowers.

32. During the year under report, two more banks applied for a licence to carry on banking business in India. Licences were issued in all to 14 banks. Licence was refused to the Banco Nacional Ultramarino in terms of Section 22(3)(c) of the Banking Companies Act, 1949, as the Reserve Bank was not satisfied that the Government of the country in which the bank was incorporated had ceased to discriminate against banking companies registered in India.

Change in Bill Market Scheme

33. Passing on to a review of the facilities offered by the Reserve Bank to the banking system, certain improvements have been effected in the working of the Bill Market scheme introduced in January 1952 and in remittance facilities. Reference has already been made to advances under the Bill Market scheme during the period January-June 1953. The experience gained in the previous year facilitated a more efficient operation of the scheme. Owing, however, to the comparatively easy money market conditions in the 1952-53 busy season, borrowings against usance bills were, as mentioned earlier, smaller than in the 1951-52 season. It was represented by the Indian Banks' Association that under the conditions for eligibility imposed under the scheme only a few big banks could take advantage of the scheme. It was, therefore, decided in June 1953 to extend the facilities to scheduled banks having deposits (including deposits outside India) of Rs. 5 crores or more, provided they were in possession of a licence granted by the Bank in terms of Section 22 of the Banking Companies Act. It is hoped that this modification will enable a larger number of

scheduled banks to take advantage of the facilities offered by the scheme in future.

Liberalisation of Remittance Facilities

34. Remittance facilities were further liberalised in November 1952 and the concession rates applicable to remittances issued to approved non-scheduled banks and indigenous bankers in favour of themselves were also made available for remittances issued to these bodies in favour of third parties. The concession rates thus extended to telegraphic transfers and drafts in favour of third parties were 1/16 per cent (minimum : 1 rupee) for amounts up to Rs. 5,000 and 1/32 per cent (minimum : Rs. 3-2-O) for amounts exceeding Rs. 5,000. Further, it was also decided that exchange on drafts for small amounts issued to an approved non-scheduled bank or indigenous banker, either in favour of itself or in favour of a third party, would be charged at the rate applicable to the general public, namely, 1/8 per cent (minimum : annas 4). As on June 30, 1953, there were 60 non-scheduled banks and 8 indigenous bankers on the approved list of those eligible for the remittance facilities mentioned above.

Banks' Liquidation Proceedings Committee

35. On the recommendation of the Reserve Bank, the Government of India appointed a Committee to investigate the question of expediting and economising the cost of liquidation proceedings of banking companies and to devise the necessary legislative and procedural changes. It started functioning in July 1952 and completed its deliberations by the end of the year. The report submitted by the Committee was published by Government for general information.

Some of the important recommendations of the Committee are summarised below :—

a) Avoiding multiplicity of proceedings in different Courts.

b) A summary procedure for the realisation of the outstanding debts of a banking company.

c) Rigorous and expeditious enforcement of the liability of the directors by providing for a compulsory public examination of their conduct in relation to the affairs of the banking company.

d) Vesting the Court with power to prohibit an incompetent director from being director of any company and prescribing a special period of limitation in respect of the claims of a banking company against its directors arising ex-contract.

e) A special provision that in all proceedings under Section 235 of the Indian Companies Act against directors, the burden of proving their non-liability will be on the directors, once a *prima facie* case is made out against them by the liquidator.

f) The appointment of Court liquidators in all States wherever possible, but particularly in the States of West Bengal and Travancore-Cochin.

g) Extension of the existing powers of a Court in regard to a scheme of arrangement sanctioned by it in respect of a banking company so as to empower the Court to exercise general supervision over the conduct of the scheme, with a view to ensuring that the scheme is effectively carried out, and to order the winding up of a banking company if the scheme cannot be implemented.

h) Making available the summary procedure for recovery of the debts recommended for banking companies in liquidation to banking companies working under schemes of arrangement also.

i) Empowering the Reserve Bank when directed by the Central Government to inspect a banking company which is being liquidated by a private liquidator and also to require the official liquidator of a bank to furnish any information regarding the liquidation proceedings and to inspect the records of the High Court in the matter of any bank in liquidation.

As desired by Government, the various recommendations of the Committee were examined and after consulting the Central Board, the Bank's views were communicated to Government.

Extension of Banking Facilities and Rural Finance

36. Reference was made in last year's Report to the recommendations of the Rural Banking Enquiry Committee (1950) and the Informal Conference on Rural Finance (1951) regarding the extension of banking facilities to rural areas and the role of the Reserve Bank in the provision of agricultural finance. Measures taken during the year under report to implement these recommendations included, in the sphere of expansion of banking facilities, further extension of the operations of the Reserve Bank to Part B States, opening of more branches of the Imperial Bank in relatively under-banked areas and a move towards reorganising the postal savings bank system on appropriate banking lines. As regards agricultural finance, the Bank agreed to extend its

scheme of financial accommodation to some more State Co-operative Banks in Part A and Part B States. Progress was also made in respect of the re-organisation of the co-operative movement in various States.

Reserve Bank and Part B States

37. In addition to Madhya Bharat and Travancore-Cochin mentioned in last year's Report, two more Part B States, namely, Mysore and Hyderabad, concluded agreements during the course of the year appointing the Reserve Bank as their sole banker. The agreement took effect on January 1, 1953, for Mysore, and on April 1, 1953, for Hyderabad. Subject to certain transitional arrangements for preventing undue dislocation, the Reserve Bank now conducts on behalf of the Governments of Mysore and Hyderabad their money, remittance, exchange and banking transactions, receives and keeps in deposit their cash balances, issues their new loans, if any, and, when the need arises, grants them ways and means advances in accordance with the prescribed procedure. To enable the Reserve Bank to discharge some of these functions, currency chests have been established at selected centres in these States.

38. Having regard to the special position occupied by the Hyderabad State Bank in the economy of that State, the Rural Banking Enquiry Committee had suggested that, with federal financial integration, the Hyderabad State Bank should be appointed as the agent of the Reserve Bank in the Hyderabad State. Accordingly, a separate agreement was executed on March 31, 1953 between the Reserve Bank, the Hyderabad State Bank and the Rajpramukh of Hyderabad, empowering the Hyderabad State Bank to transact, on behalf of the Reserve Bank, the banking business of the Governments of Hyderabad and the Union of India (including transactions pertaining to railways) within the territories of that State. To enable the Hyderabad State Bank to discharge its agency functions, currency chests and small coin depots have been established by the Reserve Bank at various branches of the State Bank. In consequence, the Hyderabad State Bank will also be in a position to issue and encash remittances under the Reserve Bank's remittance facilities scheme. The State Bank is expected to provide these facilities to the banks and the public in the Hyderabad State with effect from August 1, 1953. In view of the responsibilities which have devolved on the Hyderabad State Bank as a result of these arrangements, the Government of Hyderabad has nominated, in exercise of its powers under

the Hyderabad State Bank Act, a representative each of the Union Government and the Reserve Bank to the Board of Directors of the State Bank.

39. Arrangements are also in hand for the appointment of the Bank of Mysore as the Reserve Bank's agent in the Mysore State as early as possible. With regard to Saurashtra, Rajasthan and PEPSU, certain outstanding issues remain to be settled ; and as soon as they are resolved it is hoped to introduce similar arrangements in those States.

Opening of Branches by Imperial Bank

40. In regard to the extension of banking facilities to comparatively under-developed areas, a reference was made in the Report for last year to the agreement between the Reserve Bank and the Imperial Bank of India, according to which the latter was to open about 30 new branches before the end of June 1953, besides converting some of its existing treasury pay offices into branches. The Imperial Bank has so far opened branches at 27 places, besides converting 9 treasury pay offices into branches. The second phase of the expansion programme of the Imperial Bank is now receiving attention and discussions will be held in this connection in the near future.

Treasury Reform and Better Facilities for Remittances and Exchange

41. In addition to the steps already taken regarding the provision of better exchange and remittance facilities, it was considered desirable that the present limits for drawings of remittances at or on treasuries and sub-treasuries should be raised to at least twice the existing limits. It was also considered desirable that the Governments of Part A States should, where necessary, strengthen the treasury staff and the strong room space available at treasuries and sub-treasuries so as to facilitate the exchange of notes and coin. To this end, the Government of India issued, at the instance of the Reserve Bank, a circular letter to all Part A State Governments and as a result, some of these Governments have agreed to revise the limits on drawings on the lines indicated.

Reorganisation of Postal Savings Banks

42. In the measures to be adopted for extension of banking facilities, the reorganisation of the postal savings bank system occupies an important place. A detailed investigation of the working of the system was conducted sometime ago by a senior officer of the Reserve Bank and one of the Directors of

Postal Services, and some of the procedural improvements suggested in their report have already been carried out. As a first step towards the reorganisation of the postal savings bank system on appropriate banking lines, the Government of India appointed in December 1952 a Director of Postal Services, Savings Bank, to try out the scheme of reorganisation as an experimental measure at one or two centres in the Bombay State. The Government of India have since constituted an Advisory Committee, of which one of the senior officers of the Reserve Bank is a member, to suggest suitable measures for the implementation of the scheme.

Liberalisation of Procedure for Financial Accommodation

43. A number of steps were taken in pursuance of the suggestions of the Informal Conference on Rural Finance regarding the grant of financial accommodation to State Co-operative Banks and generally the enlargement of the role of the Bank in the sphere of rural finance. As regards financial accommodation to State Co-operative Banks, the revised procedure evolved on the basis of the recommendations of the Informal Conference allows a large measure of freedom to State Co-operative Banks in the operation of credit limits. The arrangement is working satisfactorily and has been generally acceptable to co-operative banks. The total credit limits granted to State Co-operative Banks in 1952-53 amounted to Rs. 13·12 crores as against Rs. 12.80 crores in 1951-52. The amount drawn from the Reserve Bank, however, was slightly lower than in 1951-52, viz., Rs. 12·22 crores as compared with Rs. 12·51 crores in the previous year. The short-fall was due mainly to smaller drawings by State Co-operative Banks in Bombay and West Bengal, partly offset by larger drawings by Madras, Uttar Pradesh, Madhya Pradesh, Orissa and Ajmer. Mention may also be made in this connection of the sanction during the year of a credit limit of Rs. 30 lakhs to the Madras State Hand-Loom Weavers' Co-operative Society for the purchase of yarn under the recently amended Section 17(2)(a) of the Reserve Bank of India Act.

44. State Co-operative Banks in Assam, Mysore, Saurashtra, Hyderabad and PEPSU approached the Reserve Bank for the first time for sanction of credit limits. The State Governments concerned have agreed to guarantee the repayment of loans taken from the Reserve Bank and also to implement programmes of reorganisation of the co-operative movement already suggested to them by the Bank. The Reserve Bank has consented to sanction

appropriate credit limits to these State Co-operative Banks and it is expected that they will begin to operate on the limits in the near future.

Amendments to the Reserve Bank Act

45. As regards measures to be adopted for enlarging the Bank's functions on the lines suggested by the Informal Conference, reference was made in last year's Report to certain projected amendments to the Reserve Bank of India Act, with a view to enabling the Bank to finance mixed farming activities, to provide short-term assistance to cottage industries and to dispense medium-term agricultural credit to co-operative banks to a limited extent. A Bill incorporating the requisite amendments was introduced in the Union Parliament in November 1952.

Progress of the All-India Rural Credit Survey

46. An integrated policy in regard to agricultural credit needs to be devised in the light of the information that will be provided by the All-India Rural Credit Survey conducted under the auspices of the Bank. The field operations of the Survey covering, inter *alia,* 600 selected villages in 75 districts were completed by August 1952. The material collected has proved to be much more voluminous and complicated than originally anticipated ; its tabulation and analysis having been brought near completion, the Committee of Direction expects to submit its report to the Reserve Bank shortly.

Purchase of Land Mortgage Bank Debentures

47. Meanwhile, as regards long-term credit, the Reserve Bank continued to purchase up to a maximum of 20 per cent of the debentures issued by Central Land Mortgage Banks. Subscriptions to such debentures during the year amounted to Rs. 10·9 lakhs, bringing the total so far contributed by the Bank to Rs. 54 lakhs. In many States, the existence of legislative restrictions on the transferability of rights in land, the fact that policies in respect of land reform were in the formative rather than final stages, the precarious agricultural economy in the unirrigated areas, etc. have hampered the promotion and development of land mortgage banks. It may, however, be hoped that with the crystallisation of land reform policies, extension of irrigation facilities, reorganisation of the co-operative structure of the various States, etc., the development of land mortgage banking will be accelerated in the future.

Reorganisation of the Co-operative Credit Structure

48. In the matter of reorganisation of the co-operative banking and credit structure in the country, considerable progress was achieved during the year. The programme of preliminary investigation by officers of the Bank was completed in respect of all the States in the Indian Union excepting Jammu and Kashmir. Subsequent high-level discussions with the State Governments have been completed in respect of all Part B States and some of the Part A and Part C States and a large measure of agreement has been reached between the Governments concerned and the Reserve Bank in respect of the broad lines of reorganisation. The pattern of the co-operative banking and credit structure generally recommended, where that structure needed to be built up or reorganised, has been of the federal type, with the State Co-operative Bank at the apex, the central banks at the district level and primary societies at the village level. For the smaller States, such as Bhopal, Himachal Pradesh and Vindhya Pradesh, however, it has been suggested that the State Co-operative Bank should deal directly with the primary societies.

49. In view of the importance of State Co-operative Banks in the co-operative structure, considerable emphasis is placed on the creation or reconstruction of such institutions wherever necessary. Suggestions have been made regarding the rectification of defects in existing State Co-operative Banks in respect of financial operations, management, personnel, etc. In the case of new or reorganised State Co-operative Banks, the Reserve Bank has emphasised the need for a strong capital structure and for contribution of a substantial part of the share capital by the State Government. The Governments of Hyderabad, Mysore, Punjab, West Bengal and Assam have contributed or agreed to contribute substantially towards the capital of such banks in their areas. New State Co-operative Banks have already been set up in Saurashtra and PEPSU and are expected to be started in Bhopal, Himachal Pradesh, Madhya Bharat and Rajasthan in the near future. Various measures for improving the efficiency and tone of co-operative central banks and of primary societies have also been suggested.

Inspection of Co-operative Banks

60. In furtherance of the objective of improving the machinery and operations of co-operative credit, a system of inspection of co-operative banks on a voluntary basis was instituted during the year under report and two Co-operative Central Banks were inspected by the Reserve Bank. The inspections are so

designed as to be complementary to, and not in duplication of, those conducted by the Registrars of Co-operative Societies in the various States.

51. The third meeting of the Standing Advisory Committee on Agricultural Credit was held in Bombay in December 1952. Among the subjects discussed at the meeting of the Committee were the fixation of criteria for establishment of new co-operative central financing agencies, maintenance of uniform standards of fluid resources by co-operative banks, procedure followed by the Reserve Bank in making advances to State Co-operative Banks, and the targets for agricultural finance fixed in the Five-Year Plan.

Reserve Bank and Industrial Finance Corporations

52. In the field of industrial finance, an amendment was made during the year to the Industrial Finance Corporation Act, 1948, under which the Industrial Finance Corporation of India is authorised to borrow funds from the Reserve Bank against specified types of securities. It also provides for the creation of a Special Reserve Fund to which dividends on the shares held by the Central Government and the Reserve Bank will be credited until the amount in the Fund exceeds Rs. 50 lakhs. The Reserve Bank also contributed 20 per cent of the issued share capital of Rs. 1 crore of the Punjab Financial Corporation, set up under the State Financial Corporations Act, 1951, for the purpose of supplying credit to medium and small-scale industries. The State Governments of Bombay, Hyderabad, Travancore-Cochin, Uttar Pradesh, West Bengal, Saurashtra and Mysore are also contemplating the establishment of similar Corporations.

Tea Garden Finance: Formulation of Limited Guarantee Scheme

53. The Reserve Bank assisted in the formulation of a scheme for provision of finance to tea gardens, which experienced difficulties during the year. To assess the financial needs of the tea industry and to work out a scheme for provision of bank finance for the 1953-54 season, a Conference was held during December 1952 in which the representatives of the Central Government, the Reserve Bank, scheduled banks, apex co-operative banks and the tea interests concerned participated. As a result of the deliberations of the Conference, the Government of India formulated a limited guarantee scheme in terms of which Government undertook to meet, to a specified extent, the deficits, if any, of scheduled banks and

apex co-operative banks which agreed to continue to provide normal finance to their tea garden constituents in the 1953-54 season. The guarantee is limited to 20 per cent of the repayments made by the gardens in their hypothecation accounts with banks for the 1952-53 season in the case of gardens situated in Cachar, Darjeeling, Dooars, Terai and Tripura and 15 per cent of the repayments in the case of gardens situated in other areas. Details of the scheme and the procedure to be followed by banks for availing themselves of the Government guarantee were worked out by Government in consultation with the Reserve Bank. The scheme is being administered by the Chairman, Central Tea Board, Calcutta.

Training Facilities for Co-operative and Commercial Bank Employees

54. The paucity of trained staff is at present one of the factors limiting the development of co-operative and commercial banking in the country and the Reserve Bank took active steps to provide proper training facilities. A reference was made in the last Annual Report to the All-India Co-operative Training Centre at Poona sponsored and subsidised by the Reserve Bank and run in association with the Bombay Provincial Co-operative Institute. Two short-term courses were held, one in April 1952 and the other in October 1952 ; the third course which commenced on May 6, 1953, is now in progress. The first long-term course commenced in July 1952 and the next session was scheduled to start in July 1953. In all, 20 States have so far taken advantage of the training facilities provided at Poona. About two-thirds of the total number of trainees were from Part B and Part C States.

55. The question of providing training facilities for employees of commercial banks has been under consideration by the Reserve Bank for some time past. The matter was discussed informally in the first instance with the representatives of the Indian Banks Association and the Indian Institute of Bankers last year. Following these discussions, a tentative scheme for setting up a training centre was drawn up and circulated to the scheduled banks. The scheme envisages the establishment of a staff-training college on the lines of institutions existing in the U.K., Australia, etc. where practical aspects of banking operations will be explained to the trainees with the help of various forms, specimens of credit instruments, etc., which are in use in the leading banks. It is expected that a "dummy" bank will be attached to the proposed college for the purpose of explaining to the trainees the working of the various

departments of a modern bank. For the present, the training will be confined to the supervisory staff. The tentative scheme proposed in this connection has met with satisfactory response from the banks and a committee of bankers and others concerned with training in banking has since been set up, to assist in the formulation of final proposals in regard to the various details of the scheme.

Accounts and Other Matters

Annual Accounts

56. During the year under review, the Bank's income amounted to Rs. 16·47 crores, and expenditure, which includes the expenses of administration and provision for sundry liabilities and contingencies, to Rs. 3·97 crores. The net profit available for payment to the Union Government in terms of Section 47 of the Reserve Bank of India Act was Rs. 12·50 crores, as against Rs. 7·50 crores last year.

57. The Bank's income during the year showed a sharp rise of Rs. 5·36 crores, as against a decline of Rs. 29 lakhs in the previous year. The higher income resulted mainly from the steep rise in the discount rates on Sterling Treasury bills, consequent on the,raising of the U. K. Bank rate to 4 per cent in March 1952. On the other hand, receipts under Exchange showed a small decrease due to smaller sales of sterling to scheduled banks and fewer transfers to the High Commissioner for India in London.

58. Expenditure rose by Rs. 36·01 lakhs, mainly under the heads 'Security Printing' and 'Establishment'. As compared with the previous year, the expenditure on Security Printing showed a further rise of Rs. 14·16 lakhs, as a result of higher manufacturing costs and larger supplies of note forms by the Nasik Press. The main reasons for the increase of Rs. 12·18 lakhs in Establishment charges were the expansion in the activities of the Department of Research and Statistics and the Agricultural Credit Department at Bombay, augmentation of staff in the Issue Department and the Department of Banking Operations at Madras and larger loss on supply of foodstuffs to the Bank's staff.

Auditors

59. The Accounts of the Bank have been audited by Messrs. S. B. Billimoria and Co. of Bombay,, Messrs. P. K. Ghosh and Co. of Calcutta, and Messrs. Sastri and Shah of Madras, who were appointed by the Government of India as auditors of the Bank by Notification

No. F. 3(48)-F.1/52 dated August 19, 1952, issued in exercise of the powers conferred by Section 50 of the Reserve Bank of India Act.

Compensation to Shareholders

60. At the close of the year under review, the aggregate number of shares of the Bank tendered for payment of compensation, consequent on the nationalisation of the Bank effective from January 1, 1949, was 4,82,611, of which 4,544 shares were tendered during the year under review. The total compensation paid in the 3 per cent First Development Loan, 1970-75 amounted to Rs. 5·36 crores and in cash to Rs. 35 lakhs.

Composition of the Central Board

61. Shri N. Sundaresan, Deputy Governor, proceeded on leave from September 11, 1952 to January 10, 1953, and in his place the Union Government appointed Shri J. V. Joshi to officiate as Deputy Governor in terms of Section 12(1) of the Reserve Bank of India Act.

62. Shri Purshotamdas Thakurdas, Shri B. M. Birla, Shri Shri Ram and Shri C. R. Srinivasan, whose term of office as Directors of the Central Board expired on January 14, 1953, were re-nominated by the Union Government in terms of Section 8(1)(b) of the Act, with effect from January 15, 1953.

63. Shri K. G. Ambegaokar, I. C. S. continued to be the Director nominated by the Union Government under Section 8(l)(d) of the Act until May 4, 1953, on which date Shri S. G. Barve, I. C. S. was nominated in his place.

Local Boards

64. The Central Board regrets to record the premature death, on December 24, 1952, of Shri Ramdeo Podar, a Member of the Western Area Local Board of the Bank.

65. Professor D. G. Karve was nominated by the Central Board in August 1952, in the vacancy which had arisen in the Western Area Local Board consequent on the resignation of Professor D. R. Gadgil (*vide* last Report). Professor Karve, however, resigned in October 1952 following his appointment as Director of the Programme Evaluation Organization of the Planning Commission. The vacancies caused by his resignation and the death of Shri Ramdeo Podar were left unfilled as the term of office of

the Members of all the four Local Boards was due to expire in January 1953, in accordance with the provisions of Section Q(3) of the Act.

66. As mentioned above, the Members of the Local Boards vacated their office on January 14, 1953 and in accordance with the terms of Section 9(1) of the Act, the Union Government constituted new Local Boards for the Western, Eastern, Northern and Southern Areas, as from January 15, 1953 (for list of Local Board Directors, see page 3).

Fleetings of the Central Board and its Committee

67. Seven meetings of the Central Board were held during the year, four in Bombay and one each in Calcutta, New Delhi and Madras. The Committee of the Central Board held fifty-two meetings, of which forty-eight were in Bombay, three in Calcutta and one in New Delhi.

Bank's Offices

68. A branch of the Reserve Bank was opened at Bangalore on July 1, 1953. For the present, the branch will conduct the cash business of the Central and State Governments, provide exchange and remittance facilities, accept deposits from and make advances to banks, and purchase and sell sterling and Pakistan rupees to authorised dealers.

Bank's Premises

69. The work of construction of the new buildings for the Bank's offices in Delhi and Nagpur has already commenced, and is scheduled to be completed within 2½ years.

70. With a view to providing suitable residential accommodation for the staff at Calcutta and Madras, the Bank has decided to purchase plots of land for the purpose, and arrangements in this regard were nearing completion at the end of the year.

By Order of the
Central Board of Directors,

B. RAMA RAU,
Governor.

APPENDIX

Scheduled Banks

1. Ajodhia Bank
2. Allahabad Bank
3. American Express Co., Inc.
4. Andhra Bank
5. Bank of Assam
6. Bank of Baroda
7. Bank of Behar
8. Bank of Bikaner
9. Bank of China
10. Bank of India
11. Bank of Indore
12. Bank of Jaipur
13. Bank of Maharashtra
14. Bank of Mysore
15. Bank of Nagpur
16. Bank of Poona
17. Bank of Rajasthan
18. *Bank of Tokyo'
19. Bareilly Corporation (Bank)
20. Belgaum Bank
21. Benares State Bank
22. Bharatha Lakshmi Bank
23. Calcutta National Bank
24. Canara Bank
25. Canara Banking Corporation
26. Canara Industrial and Banking Syndicate
27. Central Bank of India
28. Chartered Bank of India, Australia and China
29. Comptoir National D'Escompte de Paris
30. Devkaran Nanjee Banking Co.
31. Dinajpore Bank
32. Eastern Bank
33. Gadodia Bank
34. Grindlays Bank
35. Habib Bank
36. Hind Bank
37. Hindustan Commercial Bank
38. Hindusthan Mercantile Bank
39. Hongkong and Shanghai Banking Corporation.
40. Hyderabad State Bank
41. Imperial Bank of India
42. Indian Bank
43. Indian Overseas Bank
44. Indo-Commercial Bank
45. Indo-Mercantile Bank
46. Jodhpur Commercial Bank
47. Karnani Industrial Bank
48. Karur Vysya Bank
49. Kumbakonam Bank
50. Lakshmi Commercial Bank
51. Laxmi Bank
52. Lloyds Bank
53. Metropolitan Bank
54. Mercantile Bank of India
55. Miraj State Bank
56. Nadar Bank
57. Narang Bank of India
58. National Bank of India
59. National Bank of Lahore
60. *National Bank of Pakistan
61. National City Bank of New York
62. Nationale Handelsbank N. V.
63. Nedungadi Bank
64. Netherlands Trading Society
65. New Bank of India
66. New Citizen Bank of India
67. Oriental Bank of Commerce
68. Oudh Commercial Bank
69. Palai Central Bank
70. Pandyan Bank
71. Prabhat Bank
72. Pratap Bank
73. Presidency Industrial Bank
74. Punjab and Sind Bank
75. Punjab Co-operative Bank
76. Punjab National Bank
77. Sangli Bank
78. Southern Bank
79. South India Bank
80. South Indian Bank
81. Tanjore Permanent Bank
82. Traders' Bank
83. Travancore Bank
84. Travancore Forward Bank
85. Union Bank of India
86. United Bank of India
87. United Commercial Bank
88. United Industrial Bank
89. United Western Bank
90. Universal Bank of India
91. Vysya Bank

*Included in the Second Schedule during the year ended June 1953.

RESERVE BANK OF INDIA

Balance Sheet as at June 30, 1953

ISSUE DEPARTMENT

LIABILITIES

	Rs.	a.	p.	Rs.	a.	p.
Notes held in the Banking Department . .	38,46,75,664	0	0			
Notes in circulation . .	11,36,31,73,635	0	0			
Total Notes Issued . .				11,74,78,49,299	0	0
Total Liabilities Rs				11,74,78,49,299	0	0

ASSETS

	Rs.	a.	p.	Rs.	a.	p.
A. Gold Coin and Bullion:-						
(n) Held in India . .	40,01,70,843	9	5			
(*b*) Held outside India	*Nil*					
Foreign Securities . ,	6,03,15,11,573	2	7			
Total of A . .				6,43,16,82,416	12	0
B. Rupee Coin . .				91,75,51,574	3	10
Government of India Rupee Securities . .				4,39,86,15,308	0	2
Internal Bills of Exchange and other Commercial Paper . .				*Nil*		
Total Assets Rs.				11,74,78,49,299	0	0

Ratio of Total of A to Liabilities : 54·748 per cent.

BANKING DEPARTMENT

LIABILITIES	Rs.	a.	p.
Capital paid-up	5,00,00,000	0	0
Reserve Fund	5,00,00,000	0	0
Deposits :-			
(a) Government-			
(1) Central Government	1,26,05,63,555	5	4
(2) Other Governments	18,46,19,240	13	8
(6) Banks	45,24,11,498	7	8
(c) Others	57,26,34,586	12	4
Bills Payable	1,95,52,822	4	5
Other Liabilities	14,68,37,014	12	11
Total Liabilities Rs.	2,73,66,18,718	8	4

ASSETS	Rs.	a.	p.
Notes	38,46,75,664	0	0
Rupee Coin	16,96,982	0	0
Subsidiary Coin	5,16,753	12	7
Bills Purchascd and Discounted :—			
(a) Internal	26,60,000	0	0
(6) External	*Nil*		
(c) Government Treasury Bills'	14,33,09,615	12	1
Balances held abroad*	1,11,69,93,026	7	0
Loans and Advances to Governments	3,40,00,000	0	0
Other Loans and Advances	20,88,11,256	2	11
Investments	79,80,39,756	6	0
Other Assets.	4,59,15,663	15	9
Total Assets Rs.	2,73,66,18,718	8	4

*Includes Cash and Short-term Securities.

J. N. AHUJA,
Chief Accountant.

B. RAMA RAU,
Governor.

N. SUNDARESAN,
Deputy Governor.

RAM NATH,
Deputy Governor.

Dated July 23, 1953.

RESERVE BANK OF INDIA

Profit and Loss Account

	FOR THE YEAR, ENDED								
	June 30, 1953			June 30, 1952			June 30, 1951		
INCOME	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Interest, Discount, Exchange, Commission, etc.	16,47,35,710	13	6	11,11,20,066	14	0	11,39,83,085	1	3
EXPENDITURE									
Establishment	2,14,21,567	11	3	2,02,03,857	8	9	1,71,65,599	13	1
Directors' and Local Board Members' fees and expenses	66,158	2	0	69,038	14	0	92,309	6	0
Auditors' fees	22,500	0	0	22,500	0	0	22,500	0	0
Rent, Taxes, Insurance, Lighting, etc.	6,12,607	8	6	5,41,397	5	4	5,81,801	10	6
Law charges	53,851	0	5	72,274	14	9	1,07,042	5	9
Postage and Telegraph charges	1,69,698	4	9	1,62,841	15	3	1,35,483	6	7
Remittance of Treasure	16,96,158	1	6	14,71,356	4	11	14,00,527	3	2
Stationery, etc.	4,93,022	10	8	5,51,643	10	10	4,27,402	1	1
Security Printing—(Cheque, Note Forms, etc.)	78,86,260	4	3	64,70,021	2	4	51,43,522	9	7
Depreciation and Repairs to Bank's property	10,73,731	10	0	9,89,692	9	7	7,31,627	3	7
Agency charges	37,23,693	6	8	33,69,124	14	9	31,36,069	8	7
Contributions to staff and superannuation funds	59,200	0	0	60,300	0	0	64,700	0	0
Miscellaneous expenses	24,42,880	3	3	21,35,899	4	9	16,09,041	4	8
Net available balance	12,50,14,381	14	3	7,50,00,118	4	9	8,33,65,458	8	8
Total Rs.	16,47,35,710	13	6	11,11,20,066	14	0	11,39,83,085	1	3

PROFIT AND LOSS ACCOUNT-*continued*

	FOR THE YEAR ENDED		
	June 30, 1953	June 30, 1952	June 30, 1951
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Surplus payable to the Central Government	12,50,14,381 14 3	7,50,00,118 4 9	8,33,65,458 8 8
Balance carried forward	Nil	*Nil*	*Nil*
Total Rs. ..	12,50,14,381 14 3	7,50,00,118 4 9	8,33,65,458 8 8

RESERVE FUND ACCOUNT

	Rs.	a.	p.
By balance on June 30, 1953	5,00,00,000	0	0
By transfer from Profit and Loss Account	*Nil*		
Total Rs. .	5,00,00,000	0	0

J. N. AHUJA,
Chief Accountant.

B. RAMA RAU,
Governor.

N. SUNDARESAN,
Deputy Governor.

RAM NATH,
Deputy Governor.

Dated July 23, 1953.

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the Reserve Bank of India, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at 30th June, 1953.

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 and 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.

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

Dated July 23, 1953.

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