

TREND AND PROGRESS OF  
BANKING IN INDIA  
1965



# CONTENTS

## CHAPTER I

### CREDIT POLICY AND BANKING TRENDS

	Page
The Economy in 1965	1
The 1964-65 Busy Season	2
Policy for the 1965 Slack Season	5
The 1965 Slack Season	7
Policy for the 1965-66 Busy Season	7
The 1965-66 Busy Season (November-December 1965)	8
1965 : Sources and Uses of Funds	9
Composition of Deposits	9
Ownership of Deposits	11
Pattern of Bank Advances	12
Distribution of Investments of Banks	12
Bank Profits	13

## CHAPTER II

### BANKING LEGISLATION AND ORGANISATION

Banking Legislation	15
Non-Banking Companies : Regulation of Deposits and Hire-Purchase Business	16
Bank Mergers	16
Schemes of Arrangement	18
Liquidation of Banks	18
Licensing of Banks	18
Bank Inspections	18
Deposit Insurance	18
Branch Expansion by Banks	18
Branch Expansion of the State Bank of India and its Subsidiaries	19
Branch Expansion of Other Banks	20

## II

	Page
Clearing Houses ... ..	20
Indian Banks' Business Abroad ... ..	20
Export Finance Facilities ... ..	20
Refinance of Term Loans to Industrial Concerns ... ..	21
Guarantee Scheme for Small-scale Industries ... ..	21
Bank Finance for Small-scale Industries ... ..	21
Refinance of Term Loans for Agricultural Development ... ..	22
The Unit Trust of India ... ..	22
Credit Information ... ..	22
Bankers' Training College ... ..	22
Seminar for Chief Executives of Commercial Banks ... ..	22
Expiry of Bank Awards ... ..	23
Payment of Bonus Act ... ..	23

### APPENDIX I

Particulars in respect of Banks granted Moratorium during 1965 under Section 45 of the Banking Companies Act, 1949 ... ..	25
---------------------------------------------------------------------------------------------------------------------------	----

### APPENDIX II

Particulars regarding Licensing of Banks ... ..	25
-------------------------------------------------	----

### APPENDIX III

Particulars in respect of Amalgamations and Transfers of Assets and Liabilities of Banking Companies in 1965 ... ..	26
---------------------------------------------------------------------------------------------------------------------	----

### APPENDIX IV

List of Circulars included in Appendix IV ... ..	28
Selected Circulars Issued to Banking Companies ... ..	30

### APPENDIX V

Notifications issued to Non-Banking Institutions under Sections 45K, 45J and 45L of the Reserve Bank of India Act, 1934 ... ..	73
--------------------------------------------------------------------------------------------------------------------------------	----

## CHAPTER I

### CREDIT POLICY AND BANKING TRENDS

The nation and the economy faced in 1965 the most difficult year since Independence.

#### The Economy in 1965

The year began with continued pressure on prices in spite of the record crop output of the 1964-65 harvest, and necessitated, among other measures, a further tightening of credit policy in February as mentioned in the last Report. As a result of a 10.5 per cent rise in agricultural production, national income in 1964-65 rose by 7.7 per cent, compared to 5.0 per cent in the preceding year. While these developments suggested that the strains which the economy had borne for well over a year earlier might be alleviated, the course of subsequent events belied such expectations. Cotton and jute production recorded declines, marginally in the case of cotton and slightly more in the case of jute, though the overall agricultural production improved. Of serious consequence was the fact that the improvement of 9.7 per cent in foodgrains production was not adequately reflected in market arrivals and thus did not provide the much needed relief, especially in the traditionally deficit areas and in the urban centres. Indeed, the food position turned increasingly difficult as the year progressed. By October it was clear that the widespread failure of the monsoon resulting in unprecedented drought conditions would affect extremely adversely the agricultural performance in 1965-66. Output of foodgrains in the current year is now estimated to be 14 per cent less than that in the previous year. Production of jute and oilseeds would also be considerably less, while that of sugarcane is likely to be more or less the same as last year and that of cotton fractionally higher. The growth in industrial production would be limited by the resulting inadequacy of supplies of domestic raw materials in the important agro-based industries which account for a major share of the industrial output. It also became apparent over the year that notwithstanding the rising trend in export earnings, enough foreign exchange was not available to meet the demands for imported

essential components and raw materials needed for reasonable utilisation of industrial capacity which has expanded as a result of investment under the plans. Despite a rigorous control over movement of foodgrains and extensive domestic procurement, the food situation also called for substantial imports, a significant part of which had to be paid for out of free exchange resources both on commercial imports account and in respect of freight payments for imports under P.L. 480. With the beginning of September came the attack by Pakistan, which increased the pressure on account of defence on available resources. Simultaneously, the flow of foreign assistance, already inadequate especially in respect of non-project credits, was interrupted by the suspension of assistance by some major aid-giving countries. In the result, the rate of increase in industrial production started declining by the third quarter of the year; for the year 1965 as a whole, the overall industrial production is now estimated to have risen by 5.5 per cent as against 7.4 per cent in 1964 and 8.0 per cent in 1963.

2. While the economy was already under strain owing to these various factors operating on the supply side, the monetary situation showed strong expansionary influences. The net bank credit to the Government in the first eight months of 1965 amounted to Rs. 234 crores as compared to Rs. 183 crores in the corresponding period of 1964. In August the supplementary Central budget stepped up import and excise duties to secure Rs. 167 crores in a full year, and the State Governments also undertook additional taxation with an estimated yield of Rs. 52 crores in a full year. The State Governments, however, increased their resort to the Reserve Bank, the Bank's loans and advances to them rising in 1965 by Rs. 115 crores as compared to only a crore of rupees in 1964. This largely contributed to an increase in the net bank credit to Government to Rs. 373 crores in 1965 as against Rs. 215 crores in 1964.

3. The overall situation thus indicated a further widening in the gap between aggregate monetary demand and supply availabilities. Monetary policy under the circumstances had clearly two immediate tasks to accomplish: to contain the pressure on the price level through holding down the level of overall demand by continuing with a policy of monetary restraint; and secondly, to see that the flow of resources required for priority sectors was adequate.

4. The policy of monetary restraint was implemented through continued regulation of the rate of credit expansion combined with a selective approach designed both to stem the flow of credit to less essential sectors and enhance its availability to priority sectors. As noted in the last Report, though the rate of credit expansion in the first half of the 1964-65 busy season was lower than in the previous year, a more rigorous monetary policy had to be adopted in the middle of February 1965 in view of the situation relating to prices and foreign exchange. The Bank rate was put up by a full 1 point to 6 per cent on February 17, 1965 and the minimum net liquidity ratio, at or above which a scheduled bank could

secure accommodation from the Bank at the Bank rate, was raised from 28 per cent to 30 per cent. Following the Bank rate increase, the structure of rates paid on bank deposits was further stepped up to help supplement the efforts at greater deposit mobilisation. Simultaneously the ceiling on rates charged on advances/discounts by foreign banks and the larger Indian banks was raised from 9 per cent to 10 per cent. Largely reflecting the higher agricultural outturn and the record production of sugar, however, credit expansion gathered momentum during the remainder of the 1964-65 busy season. Bank credit expanded from February 5, 1965 to the end of April 1965 by 10.5 per cent as compared to 7.7 per cent in the corresponding period of the previous busy season; and borrowings from the Bank increased from Rs. 77.5 crores to Rs. 126.2 crores as against the fall from Rs. 49.1 crores to Rs. 45.0 crores in the corresponding period of the 1963-64 busy season.

5. The expansion in scheduled bank credit over the 1964-65 busy season as a whole amounted to Rs. 407 crores as compared to the previous busy season expansion of Rs. 370 crores (Table 1). Though in absolute terms

TABLE 1—SEASONAL VARIATIONS IN SCHEDULED BANKS' DATA

	(Rs. crores)							
	Busy Season		Slack Season		Last Friday of			
	1963-64	1964-65	1964	1965	Dec. 1964 over Oct. 1964	Dec. 1965 over Oct. 1965		
1. Aggregate Deposits .. .. .	+ 74.7	+107.2	+219.0	+175.3	— 4.9	+ 75.9		
(i) Demand .. .. .	+124.5	+ 44.1	+123.6	+ 74.9	— 17.6	+ 52.3		
(ii) Time .. .. .	— 49.8	+ 63.1	+ 95.4	+100.4	+ 12.7	+ 23.6		
2. Borrowings from the Reserve Bank of India .. .. .	+ 43.3	+124.5	— 43.3	—122.8	+ 33.7	+ 16.0		
3. Cash in Hand and Balances with the Reserve Bank of India .. .. .	— 30.5	+ 8.3	+ 12.3	+ 19.9	+ 7.0	+ 27.2		
4. Investments in Government Securities .. .. .	—146.8	—150.9	+260.5	+133.5	—105.2	— 26.0		
5. Money at Call and Short Notice .. .. .	— 14.6	— 25.2	+ 22.2	+ 25.9	— 4.3	— 14.2		
6. Total Bank Credit .. .. .	+370.0	+406.9	—131.1	— 91.9	+104.6	+ 83.4		

*Note:* Data are based on monthly returns submitted by banks on Form XII (Form XIII upto June 1965) except in respect of borrowings from the Reserve Bank of India which are based on weekly returns submitted by banks.

TABLE 2—SEASONAL PATTERN OF PRINCIPAL RATIOS OF SCHEDULED BANKS

	(Rs. crores)											
	April 24, 1964		Oct. 30, 1964		April 30, 1965		Oct. 29, 1965		Dec. 25, 1964		Dec. 31, 1965	
	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage
1. Aggregate Deposits	2310.0	100.0	2528.9	100.0	2636.1	100.0	2811.4	100.0	2524.0	100.0	2887.3	100.0
(i) Demand ..	1072.4	46.4	1196.0	47.3	1240.1	47.0	1315.0	46.8	1178.3	46.7	1367.2	47.4
(ii) Time ..	1237.6	53.6	1332.9	52.7	1396.0	53.0	1496.4	53.2	1345.7	53.3	1520.1	52.6
2. Borrowings from the Reserve Bank of India ..	45.0	—	1.7	—	126.2	—	3.4	—	35.4	—	19.4	—
3. Cash in Hand and Balances with the Reserve Bank of India ..	141.0	6.1	153.2	6.1	161.5	6.1	181.5	6.5	160.3	6.4	208.7	7.2
4. Investments in Government Securities	609.1	26.4	869.6	34.4	718.7	27.3	852.2	30.3	764.4	30.3	826.2	28.6
5. Money at Call and Short Notice ..	48.1	2.1	70.4	2.8	45.1	1.7	71.0	2.5	66.0	2.6	56.8	2.0
6. Total Bank Credit	1837.5	79.5	1706.4	67.5	2113.3	80.2	2021.4	71.9	1811.0	71.8	2104.8	72.9

Note: The percentages are ratios to aggregate deposits.

the credit expansion was somewhat greater, it may be noted that the rate of expansion at 24 per per cent was slightly lower than that in the previous busy season. It is significant in that this occurred against the background of an increased tempo of economic activity in 1964-65. Deposits of scheduled banks rose over the busy season by Rs. 107 crores while they increased by Rs. 75 crores in the previous busy season. Consequently, the credit/deposits ratio went up during the season by 13 points to 80.2 per cent as against the rise of 14 points to 79.5 per cent in the previous busy season (Table 2). The seasonal credit

expansion was financed by liquidation of investments in Government securities by Rs. 151 crores or about the same as in the preceding year. Consequently, recourse to borrowings from the Bank was substantial; on April 30, 1965, such borrowings were Rs. 125 crores higher than on the eve of the busy season, while the expansion in the previous busy season was Rs. 43 crores. On April 2, 1965,\* the borrowings were Rs. 163 crores as compared to the previous busy season's peak of Rs. 107 crores on March 6, 1964 (Table 3). With the Bank rate 1.5 points higher and the pressure on bank re-

TABLE 3—PEAK LEVELS OF SCHEDULED BANKS' BORROWINGS FROM THE RESERVE BANK

Date	(Rs. crores)								Total Borrowings Outstanding	Weighted Average Rate of Interest (per cent)
	Amounts Borrowed at various Rates of Interest									
	4%	4.5%	5%	6%	6.5%	7%	Over 7%			
	1	2	3	4	5	6	7	8	9	
April 1, 1961 (1960-61 Busy Season)	..	17.44	—	15.12	61.03	—	—	—	93.59	5.47
March 17, 1962 (1961-62 Busy Season)	..	23.34	—	14.43	29.92	—	—	—	67.69	5.10
March 8, 1963 (1962-63 Busy Season)	..	—	26.05	—	11.98	45.37	—	—	83.40	5.80
March 6, 1964 (1963-64 Busy Season)	..	—	59.86	—	47.08	—	—	—	106.94	5.16
April 2, 1965 (1964-65 Busy Season)	..	—	—	—	26.03	4.67	8.22	124.00	162.92	7.86
May 7, 1965	..	—	—	—	29.15	—	3.64	131.66	164.45	8.14

\*The maximum was in fact recorded on May 7, 1965 when borrowings amounted to Rs. 165 crores.

sources greater than in the previous busy season, the inter-bank call money rate moved to 8.5 per cent at Bombay and Calcutta during the week ended April 9, 1965; the highest rates in Bombay and Calcutta in the 1963-64 busy season were 6.5 per cent and 6.6 per cent, respectively.

6. Credit expansion against seasonal commodities accounted for 64 per cent of the busy season expansion as compared to 57 per cent in the 1963-64 season. The greater expansion in the 1964-65 busy season was occasioned mainly by a larger rise in advances against sugar, foodgrains and cotton and kapas (Table 4). Sugar output was higher, and with the control on releases from sugar mills, their stocks were larger over the year. The bigger expansion in advances against foodgrains (paddy and rice, wheat and other foodgrains) reflected the procurement operations of State Governments and their agencies. The higher growth of cotton and kapas advances is to be attributed mainly to the rise in prices following the expectations of a smaller domestic crop.

The expansion of advances against raw jute, on the other hand, was only about half of that in the previous busy season reflecting depletion of stocks with the mills. Advances against tea contracted by a much smaller amount than in the 1963-64 busy season, as the 1964 crop was a record one while tea exports were lower than in 1963. In contrast to the seasonal advances, 'non-seasonal' advances expanded by Rs. 135 crores or Rs. 17 crores less than in the previous busy season. Advances against Government and other trustee securities, which had increased by Rs. 2 crores in the previous busy season contracted by Rs. 9 crores, and advances against shares and debentures of joint stock companies which had expanded by Rs. 12 crores in the 1963-64 busy season increased only by Rs. 5 crores in the 1964-65 busy season. The decline under these two categories was however, partly offset by advances against assets of industrial concerns which increased by Rs. 13 crores more than in the previous busy season. There was a contraction of Rs. 2 crores in advances against jute textiles which had increased by Rs. 4

TABLE 4—SEASONAL TRENDS IN BANK CREDIT: SECURITY-WISE CLASSIFICATION

Security	(Rs. crores)									
	Busy Season		Slack Season		Calendar Year		Out-standing as on Dec. 31, 1965	Nov. Dec. 1964	Nov. Dec. 1965	
	1963-64	1964-65	1964	1965	1964	1965				
<b>Seasonal Advances</b> .. .. .	+201.1	+234.6	-193.9	-149.7	+5.8	+71.6	333.6	+50.5	+37.2	
Paddy and Rice .. .. .	+14.6	+15.9	-16.2	-5.3	-3.1	+8.2	16.0	+3.7	+1.2	
Wheat .. .. .	-3.0	+0.2	-2.5	+11.5	-3.7	+13.1	15.5	+0.4	+1.9	
Other Foodgrains .. .. .	+4.1	+6.0	-6.1	+1.5	-1.5	+5.2	13.1	+0.8	-1.4	
Sugar .. .. .	+60.0	+86.5	-58.1	-53.9	+9.0	+24.2	54.5	+11.7	+3.4	
Groundnut .. .. .	+11.4	+12.7	-12.1	-11.0	—	+1.1	14.5	+12.5	+11.8	
Cotton and Kapas .. .. .	+68.6	+71.2	-57.3	-60.5	+7.6	+9.4	104.9	+20.1	+18.8	
Raw Jute .. .. .	+14.1	+7.5	-10.4	-15.6	-1.8	-5.9	25.4	+3.3	+5.6	
Tea .. .. .	-6.4	-3.5	+10.0	+8.6	+4.4	+5.1	44.4	-7.8	-9.9	
<b>Non-Seasonal Advances</b> .. .. .	+151.6	+134.5	+54.0	+96.1	+193.4	+228.3	1,483.5	+40.4	+38.1	
Cotton Textiles .. .. .	+16.4	+24.9	+6.1	+10.4	+28.6	+21.2	185.3	+12.2	-1.9	
Jute Textiles .. .. .	+4.0	-2.3	+8.3	+5.8	+12.3	+0.8	43.0	+2.3	-0.4	
Iron, Steel and Engineering Goods	+22.8	+29.4	+15.0	+44.5	+38.0	+80.6	321.9	+7.9	+14.6	
Shares of Joint Stock Companies ..	+8.9	+3.9	-8.0	-9.8	-0.5	-6.3	87.6	+1.7	+1.3	
Debentures of Joint Stock Companies	+3.0	+0.7	-1.7	+2.1	+1.2	+5.9	29.3	+0.3	+3.5	
Government and Other Trustee Securities	+2.3	-9.3	+8.8	-0.1	+3.4	-4.6	25.2	-6.6	-1.9	
Gold & Silver Bullion and Ornaments	+0.8	-0.2	+2.1	+0.5	+2.9	-0.5	20.9	+0.8	—	
Assets of Industrial Concerns .. .. .	+16.2	+28.8	+13.1	+13.5	+27.3	+36.2	159.0	+7.8	+1.7	
<b>Total Secured Advances</b> .. .. .	+352.6	+369.1	-139.9	-53.6	+199.2	+299.9	1,817.1	+90.9	+75.3	
<b>Unsecured Advances</b> .. .. .	+23.2	+20.0	+12.2	-30.5	+37.1	-12.0	284.7	+9.5	+8.0	

Source : Fortnightly Survey of Bank Advances.

crores in the 1963-64 busy season, because the rise in exports lowered stocks with the mills. Reflecting the larger accumulation of stocks of cotton textiles and the growth of engineering industries, advances against cotton textiles, and iron, steel and engineering goods showed larger expansion than in the previous busy season.

7. The high level of credit expansion recorded in the busy season cannot be said to have contributed to a monetary imbalance in the manner in which the expansion in the 1963-64 season possibly did. In fact the large expansion was a reflection of the record agricultural output and was indeed made possible by substantial scheduled bank recourse to the Bank despite the continuance of a tight credit restraint.

8. The record expansion of scheduled bank credit in the busy season of 1964-65 and in particular the substantial share of advances against seasonal commodities in it indicated the need to ensure an adequate return of credit in the slack season, especially in respect of the credit against seasonal securities. This was necessary both on grounds of overall monetary restraint and the need to augment supplies of essential commodities coming on to the market. It would also put the banks in a better position to meet the demands of the following busy season. The Governor of the Bank, therefore, indicated to leading bankers at the outset of the slack season that the Bank hoped for the level of bank credit to contract by Rs. 200 crores in the 1965 slack season; this estimate was based on the likely contraction in seasonal advances along with a continued rise in non-seasonal advances. The banks were also advised to make a closer scrutiny of the inventory positions of their customers and lend only for priority production requirements; and letters were addressed to the leading banks which had a substantial share in seasonal advances to bring about an orderly reduction in such credits. At the same time,

**Policy for the  
1965 Slack  
Season**

bank deposits were expected to rise in the slack months by about Rs. 200 crores. It was suggested that the banks should hold in Treasury bills the resulting surplus resources after repayment of borrowings from the Bank; and to make this convenient, the Bank amended its system of issue of Treasury bills by substitution of tap sales in place of the weekly tender. The object was thus to induce a tightening of banks' liquidity in the slack season even as policy in the busy season had sought to ease somewhat their liquidity position.

9. At the same time, selective credit controls in respect of foodgrains, vegetable oils and oilseeds were tightened in order to hold the price line in respect of essential commodities during the lean months of the year. Ceilings on advances against paddy and rice, groundnuts, and wheat and other foodgrains were fixed in May, July and August respectively at the levels maintained in 1964, except in the case of paddy and rice in Andhra Pradesh, and in the case of other foodgrains in Maharashtra, where limits were set at 75 per cent of the 1964 levels. Ceilings on advances against oilseeds, other than groundnut and cottonseed, and vegetable oils including vanaspati were prescribed in August at 90 per cent of the actual levels maintained in 1964. Simultaneously, the minimum margin requirements in respect of advances against vegetable oils to borrowers other than vanaspati manufacturers were put up from 50 per cent to 60 per cent. Minimum margin requirements of 50 per cent were imposed in August in respect of advances against cotton and kapas to parties other than cotton mills in view of the large increase in such bank advances\*. Ceilings on advances against vegetable oils and margin requirements in respect of cotton and kapas advances were imposed for the first time.

10. To help further to achieve a significant contraction of bank credit in the slack season, restrictions on unsecured advances were tightened and to act as an additional measure of import regulation, advance deposit requirements were imposed in respect of imports

\* The margin against cotton and kapas advances was to be enforced immediately for new credit limits, and not later than August 20 for limits granted before the issue of the directive; but the effective dates were subsequently extended to October 15, 1965 and it was clarified that the directive did not apply to advances against imported cotton for a specified period. Advances in respect of the 1965-66 cotton crop were exempted from margin requirements on October 13, 1965.



on June 29, 1965. The rise in clean credit of scheduled banks by 42 per cent to Rs. 299 crores in the two years ending with May 1965 was an important element in the overall credit expansion. Banks were, therefore, directed to keep their unsecured advances within the overall level reached on 25th June 1965, certain types such as advances in respect of export usance bills drawn on documents against acceptance terms being exempted from this control. Under the import deposit system, an amount equivalent to 25 per cent of the value of the goods shipped to India on or after July 1, 1965 was required to be deposited by importers with banks, who in turn were instructed to hold the amounts in Government of India Treasury bills pending return to the importers after two months from the date of deposit or the date of remittance for the relative import, whichever was later. The requirement did not apply to Government imports, P.L. 480 imports and certain other categories such as imports reprocessed for exports. Following the changes in import duties effected in the supplementary budget in August, the advance import deposit requirements were discontinued on August 19, 1965; at their peak on September 3, 1965, banks' investments in Treasury bills on account of advance import deposits amounted to Rs. 20.3 crores.

11. By the end of August 1965 the slack season decline in bank credit amounted to Rs. 102 crores compared to Rs. 114 crores in the corresponding period of the 1964 slack season, and deposit growth of Rs. 182 crores was about the same level as that a year earlier. With the borrowings from the Bank reduced by Rs. 116 crores, the investments in government securities went up by only Rs. 136 crores as compared to Rs. 192 crores in the preceding year. Among the factors behind the slower contraction of credit were the high level of sugar stocks with mills pending Government release orders and the continued large advances to State Governments and their agencies against foodgrains and the accumulation of stocks of finished goods with the textile mills. However, though the actual contraction was small in relation to the figure suggested by the Governor at the commencement of the slack season, there was in effect a high degree

of control over the liquidity position of the banking system. This was evidenced in the unusually high slack season levels of inter-bank call rates of 3.4 per cent at Bombay for the week ended July 16 and 4 per cent at Calcutta for the week ended July 30; during this period the rates are normally at the lowest levels for the year.

12. The outbreak of hostilities with Pakistan called for a selective relaxation in credit controls so that the defence effort was not hindered by non-availability of credit. Banks with branches in border areas were specifically instructed to render all possible assistance to industry and trade to enable them to maintain production and supply. On September 9, the restriction on clean advances, imposed on June 29, was withdrawn. The margin and ceiling restrictions on advances against stocks of vanaspati oil with manufacturers pending delivery to the Army Purchase Organisation were removed on September 20, 1965. With the suspension of a large part of external assistance the balance of payments situation became critical. To encourage inflow of foreign funds, therefore, the Bank removed on September 29, the requirement of prior approval for inflow of banking funds for amounts over Rs. 20 lakhs, provided the funds were not repatriated so long as the bank had outstanding borrowings from either the Reserve Bank or other banks in India, and the local inter-bank call money rate was not lower than the Treasury bill rate of the week\*. In order to facilitate the import under P.L. 480 agreement of maize for use as an industrial raw material, at a time when the exchange situation did not permit adequate imports of raw materials, such imports were exempted from ceiling and margin restrictions on advances against foodgrains. Special problems of individual sectors were also attended to. Thus the Bank introduced on October 1, 1965 a scheme of special accommodation to banks under the Bill Market Scheme (despite the fact that the Bill Market Scheme itself remained suspended between June 30 and November 1) for facilitating financial assistance to units of the textile industry which were facing stock accumulations because of the disruption caused by the Emergency.

\* The condition about the level of the call rate was withdrawn on November 26, 1965.

13. In the result, contraction in bank credit in the entire 1965 slack season amounted to Rs. 92 crores (Table 1).

**The 1965 Slack Season** With aggregate deposits rising by Rs. 175 crores, or Rs. 44 crores less than in the previous slack season, and the repayment of the much larger amounts borrowed from the Reserve Bank in the preceding busy season, scheduled banks added to their holdings of Government securities by Rs. 134 crores. The credit/deposits ratio declined by the end of the slack season by 8.3 points as against a fall of 12 points in the 1964 slack season and it stood at 71.9 per cent on October 29, 1965 or 4.4 points over the level a year ago (Table 2). The contraction in seasonal advances was smaller by more than a fifth than in the previous slack season (Table 4). Advances against raw jute and cotton and kapas contracted by a larger amount than in the previous slack season: Stocks of raw jute were depleted due to the stoppage of usual imports from Pakistan, and holdings of raw cotton by traders and ginning factories declined. Advances against paddy and rice contracted by less than a third as compared to the 1964 slack season, while advances against other foodgrains showed a contra-seasonal expansion whereas they had declined in the previous slack season. The growth in non-seasonal advances, on the other hand, was Rs. 96 crores as compared to the expansion of Rs. 54 crores in the 1964 slack season. The largest expansion took place in the case of advances against iron, steel and engineering goods, the expansion in case of which was thrice that in the 1964 slack season following the rise in production of almost all branches of the engineering group. Reflecting the growing stocks of cotton textiles due to the slackening of both foreign as well as internal demand, advances against cotton textiles also increased by a larger amount. Unsecured advances on the other hand, contracted by Rs. 31 crores, whereas they had risen by Rs. 12 crores in the 1964 slack season.

14. The slack season thus ended with the liquidity position of the banks under some strain as reflected in the high credit/deposits ratio of 71.9 per cent. Money conditions also were unusually tight. The announcement of 3.5 per cent for tap Treasury bills and the Governor's advice to banks to put

funds into Treasury bills instead of lending them out at call provided an effective floor to the money market rates. Thus, though seasonally the call rate eased to 3.4 per cent in Bombay and 4 per cent in Calcutta in July, these rates were still high for that time of the year. The hostilities with Pakistan in addition to the relatively lower supplies pushed up the rates to 9.4 per cent in Bombay for the week ended September 17 and 9.6 per cent in Calcutta for the week ended September 10. With the cessation of fighting the rates eased, but they closed for the season at a higher level compared to a year ago: 5.2 per cent as compared to 1 per cent in Bombay and 5.7 per cent as compared to 3.5 per cent in Calcutta.

15. It was thus a busy season that was the busiest on record followed by a slack season that was not so slack that provided the backdrop for the 1965-66 busy season. In view of the unfavourable crop estimates and the possibility that surplus capacity in some industries may increase due to lower imports of essential components and raw materials, the prospective price picture at the commencement of the new busy season could not but be viewed with concern. Wholesale prices were ruling 6 to 7 per cent higher over the year. The credit policy for the 1965-66 busy season, therefore, aimed at closely controlling credit for non-essential purposes while ensuring an adequate credit flow to facilitate higher supplies, particularly in sectors which clearly had priority in the context of the National Emergency. These were defence supplies, food procurement and allied operations and exports. With the very high credit/deposits ratio at the end of the 1965 slack season, banks obviously did not have a sufficient cushion of resources to meet genuine seasonal requirements. The object was to divert credit into the priority sectors by effecting a selective liberalisation, but maintaining at the same time a degree of rigour over overall credit expansion. The Bank accordingly decided in November 1965 that refinance by the Bank in respect of credit extended by banks for priority purposes such as defence supplies, export packing credits and food procurement would be made available at the Bank rate irrespective of the net liquidity position of the borrowing

**Policy for the 1965-66 Busy Season**

bank. Advances against defence supply bills with a tenor of not more than 90 days were eligible for defence supply refinance. Credits granted for bonafide export transactions as evidenced by export orders or letters of credit with maturity of not more than 60 days and to be extinguished by negotiation of relative export bills were similarly eligible for packing credit refinance. Refinance in respect of food procurement credit against pledge/hypothecation of foodgrains was made available for advances to State Governments, the Food Corporation of India and the agencies of the State Governments for food procurement, storage and distribution. Accommodation against declaration of holdings of Rupee Export Bills continued to be on the same terms as before. Simultaneously refinance for other purposes, *i.e.*, for non-priority uses, was made costlier because the rate moved up by 1 point as against half a point previously, with every drop of 1 point or a fraction thereof below 30 per cent in the net liquidity ratio, calculated after taking into account all the refinance from the Reserve Bank as well as the Industrial Development Bank of India. As an additional measure of credit regulation and to bring credit activities more in alignment with the planning policies, scheduled banks were also directed to secure prior approval of the Bank before granting credit limits, secured as well as unsecured, of Rs. 1 crore or more to any single party. At the same time, the Bank indicated that its policy would continue to be flexible and that should it appear at any stage that there were genuine difficulties in providing credit for essential activities or conversely if there were evidence that bank credit was rising at rates faster than warranted by the economy's needs, it would take appropriate steps to meet the situation.

16. Adjustments in selective credit controls were made in furtherance of the overall policy. In view of the dislocation caused to trade and industry by the Indo-Pakistani conflict, limits granted for advances against stocks of foodgrains in the six border districts of the Punjab were liberalised, and margin requirements in respect of advances against foodgrains other than paddy and rice to licensed dealers and millers in the Punjab were lowered from 50 per cent to 25 per cent,

on November 12, 1965, both the concessions being valid till the end of April 1966.

17. The expansion in scheduled bank credit during the first two months of the current busy season was only Rs. 83 crores, as against that of Rs. 105 crores in the corresponding period of the last busy season (Table 1). With the rise of Rs. 76 crores in their deposit resources, as against a fall of Rs. 5 crores in November-December 1964, scheduled banks brought down their holdings of Government securities by Rs. 26 crores only as compared to Rs. 105 crores during the first two months of the 1964-65 busy season. Scheduled banks' cash and balances with the Bank also increased by Rs. 27 crores as against Rs. 7 crores last year; and the increase in their borrowings from the Bank was less than half the amount in the corresponding two months of the last busy season. Starting the busy season as they did with a credit/deposits ratio well above that in October 1964, this ratio at the end of December 1965, at 72.9 per cent, was still 1.1 points higher than a year ago, despite the slower credit growth and the large deposit expansion (Table 2). Advances against seasonal commodities increased during November-December 1965 by a smaller proportion than in the corresponding period last year (Table 4). Advances against raw jute and wheat were the only seasonal credits that showed a larger expansion; the doubling of the growth of jute advances over the year is to be attributed to the spurt in prices, and the higher increase in advances against wheat to procurement operations. The expansion in case of sugar was less than one-third reflecting the continued high level of these advances during the 1965 slack season and the late start of the crushing season this year as compared to the last year. Advances against cotton textiles declined in the first two months of the current busy season by Rs. 2 crores whereas they had increased by Rs. 12 crores in the corresponding period of the last season, mainly due to the fact that these advances remained at a very high level all through the 1965 slack season on account of growing stocks and some unloading of them was to be expected. Indicative of the general shortages of raw materials and components as also

**The 1965-66  
Busy Season  
(November-  
December  
1965)**

the tight credit policy of the Bank, advances against assets of industrial concerns expanded during November-December 1965 by one-fourth of the amount of their growth in the corresponding period of the last busy season.

18. The policies adopted during the year were designed to ensure an adequate flow of credit for essential purposes and to restrain price increases. Money supply increased in 1965 by 10.2 per cent or at the same rate that was recorded in 1964, despite the larger increase in national income; and the rise in the wholesale prices was 6 per cent, or nearly one-third of that in the previous year.

19. Total resources of the banking system increased in 1965 by Rs. 448 crores, or by 35 per cent, as compared to Rs. 331 crores, or by 21 per cent in the previous year (Table 5). Deposit accretion accounted for 81 per cent of the total rise in resources, or only slightly less than in the previous year. Reflecting the

TABLE 5—CHANGES IN SOURCES AND USES OF SCHEDULED BANKS' FUNDS

	(Rs. crores)	
	1964	1965
<b>I. SOURCES</b>		
(a) Increase in paid-up capital and reserves .. .. .	5.2	8.2
(b) Increase in deposits .. .. .	271.2	363.3
(c) Increase in borrowings from the Reserve Bank of India@..	27.3	—
(d) Inflow of funds from abroad†	—	0.6
(e) Increase in miscellaneous items	27.2*	75.4*
<b>Total .. .. .</b>	<b>330.9</b>	<b>447.5</b>
<b>II. USES</b>		
(a) Reduction of borrowings from the Reserve Bank of India@..	—	16.0
(b) Increase in bank credit .. .. .	230.1	293.8
(c) Increase in cash and balances with the Reserve Bank of India	18.9	48.4
(d) Increase in investments .. .. .	75.1	89.3
(e) Outflow of funds† .. .. .	6.8	—
<b>Total .. .. .</b>	<b>330.9</b>	<b>447.5</b>

@ Based on weekly returns of scheduled banks; data for 1964 are revised and for 1965 are preliminary.

† Based on Exchange Control records. Figures exclude changes in rupee balances maintained by non-resident bank branches/correspondents, individuals and firms with authorised dealers since changes in these balances are already reflected in the item "Increase in deposits", and hence differ from those shown in the balance of payment statistics.

\* Derived figures.

tighter credit policy of the Bank in 1965 as compared to 1964, only 66 per cent of the additional resources were utilised for credit expansion, as compared to 70 per cent in 1964; and Rs. 16 crores or 4 per cent of the resources were utilised to bring down the borrowings from the Bank. Investments absorbed a lower percentage of the expansion in resources in 1965, 20 per cent as against 23 per cent in 1964 when, banks had to add to their investments in Government securities to fulfil the higher statutory liquidity requirements.

20. Deposit accretion amounted to 14 per cent, as against 12 per cent in 1964. The growth of Rs. 363 crores compared to that of Rs. 271 crores in 1964 understates the true expansion, because the State Bank of India transferred to the Reserve Bank Rs. 33 crores in 1965 and Rs. 34 crores in 1964 out of the P.L. 480 funds held with it by the U.S. Embassy. Adjusted for these transfers, the growth works out to 16 per cent in 1965 and 14 per cent in the previous year.

21. Data on distribution of deposits between demand and time components (Table 6) reveal a continued increase since 1962 in the share of the demand deposits at the expense of time deposits. As was explained in the last Report, this decline in the proportion of the time deposits in 1962-64 was the result of transfers of P.L. 480 funds from State Bank of India to the Bank and changes in classification of deposits under which progressively larger proportions of savings deposits were reported by banks as demand deposits. In 1965 too, both the factors vitiated the proportions. The transfers of P.L. 480 funds to the Bank have already been referred to. Secondly, 88.5 per cent of the savings bank deposits were classified by banks as demand deposits compared to 87.6 per cent in 1964. A factor which assisted the relatively higher growth of savings deposits was the increase in the rate of interest paid on these deposits from 3½ per cent to 4 per cent with effect from February 1, 1965. Subtracting the figure of savings deposits from the total of deposits, the relative shares of demand and time deposits work out to 34.8 per cent and 65.2 per cent respectively as against 35.0 per cent and 65.0 per cent in 1964.

TABLE 6—COMPOSITION OF DEPOSITS OF SCHEDULED BANKS, 1961—1965

Last Friday of December	Aggregate Deposits	Demand Deposits (Excluding in- ter-bank de- posits)	Per- centage	Time Deposits (Excluding in- ter-bank de- posits)	Per- centage	Distribution by Type of Deposits							
						Current Deposits		Savings Deposits		Fixed Deposits		Cash Certifi- cates & Recur- ring Deposits	
						Amount	Per- centage	Amount	Per- centage	Amount	Per- centage	Amount	Per- centage
						1	2	3	4	5	6	7	8
1961 ..	1834.7	732.6	39.9	1102.1	60.1	538.6	29.4	313.1	17.1	937.1	51.1	45.9	2.5
1962 ..	2038.9	816.9	40.1	1222.0	59.9	578.9	28.4	379.1	18.6	1035.1	50.8	45.8	2.2
1963 ..	2252.8	997.2	44.3	1255.6	55.7	623.3	27.7	457.4	20.3	1129.4	50.1	42.7	1.9
1964 ..	2524.0	1178.3	46.7	1345.7	53.3	687.7	27.2	560.3	22.2	1237.2	49.0	38.8	1.5
1965 ..	2887.3	1367.2	47.4	1520.1	52.6	770.3	26.7	673.2	23.3	1409.6	48.8	34.2	1.2

Note :—The percentages are ratios to aggregate deposits.

22. The faster rate of deposit growth in 1965 reflects the impact of a number of factors such as the magnitude of deficit financing, the spread of banking habit and extension of banking facilities, the competition from other forms of assets holding and the rates paid on deposits and their relative position vis-a-vis other rates of income on liquid assets. It is difficult to segregate with any precision the effect on deposit growth of the higher deposit rates effective since February 17, 1965. The period is also, admittedly, not long enough to draw meaningful conclusions about the responsiveness of deposits to changes in interest rates. But the distribution of the deposit increase (other than in savings deposits) in favour of time deposits is not without significance, especially as the spread between time deposits of short and long maturities was further widened. The growth in time deposits despite the pressures

on the price situation and in the face of competition from non-banking institutions for deposits is another factor to be noted. The growth in term funds with banks enables them to take a greater share in the term financing needs of industry and constitutes another channel for the transmission of the community's savings into investments; this is of particular importance at a time when capital market conditions have been sluggish.

23. The policy behind the Bank's directive in respect of the deposit rate structure was explained in the last Report where the long term objective was stated to be the promotion of a greater degree of self-reliance on the part of banks and the improvement of the competitive ability of the medium and smaller sized banks vis-a-vis the larger banks. The data (Table 7) suggest some improvement in the relative position re-

TABLE 7—PERCENTAGE SHARES OF GROUPS OF BANKS IN TOTAL SCHEDULED BANK DEPOSITS AND CREDIT

(As on last Friday)

Banks	Aggregate Deposits		Bank Credit	
	1964	1965	1964	1965
Indian Scheduled Banks				
with deposits of				
Over Rs. 100 crores .. ..	55.8	54.8	55.4	57.0
Rs. 50—100 crores .. ..	17.1	17.7	16.8	16.8
Rs. 15— 50 crores .. ..	10.5	11.0	8.6	9.0
Rs. 5— 15 crores .. ..	2.6	3.0	2.3	2.5
Below Rs. 5 crores .. ..	2.2	1.9	1.7	1.6
Foreign Banks .. ..	11.8	11.6	15.2	13.1
All Scheduled Banks .. ..	100.0	100.0	100.0	100.0

garding deposit resources of the medium and smaller sized banks vis-a-vis the larger banks. The relative shares in the total scheduled bank deposits of the group of Indian banks with deposits between Rs. 5 crores and Rs. 15 crores, the group with deposits of Rs. 15 crores to Rs. 50 crores and the group with deposits of Rs. 50 crores to Rs. 100 crores improved over the year. The relative shares in the total scheduled bank credit of the group of Indian banks with deposits between Rs. 5 and Rs. 15 crores and of the group with deposits from Rs. 15 crores to Rs. 50 crores also increased over the levels in 1964. The share of Indian banks with deposits exceeding Rs. 100 crores in the total credit also went up ; but this was entirely on account of the State Bank of India. The improvement in the relative share of the State Bank of India is explained by the responsibility undertaken by that

bank to finance the growing public sector activity and food procurement operations, as also its rising share in the finance of the small-scale enterprises and co-operative societies.

24. Personal deposits accounted for the largest share of total deposits as at the end of March 1965 and in fact improved their position to 51.2 per cent as compared to 49.2 per cent a year ago ; the share of business deposits also rose over the year, though fractionally ; and the share of deposits held by government and quasi-government bodies declined over the year from 8.6 per cent to 7.1 per cent (Table 8). Among business deposits, industrial and financial deposits improved their position in that order while the share of deposits of trading concerns declined.

TABLE 8—OWNERSHIP PATTERN OF DEPOSITS OF SCHEDULED BANKS 1963, 1964 AND 1965

(Accounts in thousands;  
Amounts in Rs. crores)

	March 31, 1963			March 31, 1964			March 31, 1965*		
	Ac- counts	Amount	Per- centage	Ac- counts	Amount	Per- centage	Ac- counts	Amount	Per- centage
Number of Reporting Banks	78			76			75		
I. Business .. .. .	6,84	622.3	29.9	7,45	675.2	28.5	8,17	791.0	29.0
(a) Industry .. .. .	76	172.3	8.3	85	193.5	8.2	90	243.6	8.9
(b) Trading <sup>d</sup> .. .. .	5,67	256.0	12.3	6,17	271.5	11.5	6,78	299.5	11.0
(c) Financial .. .. .	30	179.6	8.6	30	189.7	8.0	32	226.5	8.3
(d) Others .. .. .	11	14.5	0.7	13	20.5	0.9	17	21.4	0.8
II. Personal (Individuals) .. .. .	66,28	1028.7	49.4	76,40	1166.1	49.2	90,66	1398.5	51.2
III. Professional .. .. .	78	27.2	1.3	1,22	39.7	1.7	95	36.4	1.3
IV. Government and quasi-Govern- ment Bodies .. .. .	25	173.0	8.3	28	204.3	8.6	32	195.0	7.1
V. Others .. .. .	1,66	232.0	11.1	1,88	284.9	12.0	2,23	310.3	11.4
VI. Grand Total .. .. .	75,81	2083.2	100.0	87,23	2370.1	100.0	102,33	2731.2	100.0

\* Provisional

25. The sector-wise distribution of bank advances as at the end of March 1965 brings out the progressive rise in the dominance of industrial advances (Table 9). They improved by 17 per cent to Rs. 1,287 crores, the share in the total rising further from 59.2 per cent to 61.5 per cent. Shares of advances to all other sectors declined over the year. The ratio of commercial advances to the total went down by half a percentage point though they rose over the year by Rs. 50 crores. Advances to financial

institutions and agricultural advances declined not only proportionately to the total but also in absolute terms, by Rs. 5 crores each. The expansion in industrial advances took place both in respect of the traditional and newer industries, the increase in the latter case being particularly marked. Thus, the engineering industry received as in the last year the major proportion of the increase in industrial advances and its share in total bank credit improved over the year from 12.9 per cent to 14.5 per cent.

TABLE 9—ADVANCES OF SCHEDULED BANKS ACCORDING TO PURPOSE, 1963, 1964 AND 1965

(Amounts in Rs. crores)

Number of Reporting Banks	March 31, 1963			March 31, 1964			March 31, 1965		
	77			75			75		
	Number of Accounts	Amount	Percentage	Number of Accounts	Amount	Percentage	Number of Accounts	Amount	Percentage
I. Industry ..	43,880	921.24	57.2	53,859	1104.40	59.2	48,328	1287.32	61.5
II. Commerce ..	1,75,489	443.95	27.6	1,97,366	486.83	26.1	1,74,124	536.78	25.6
III. Financial ..	18,225	84.08	5.2	16,365	99.19	5.3	15,340	94.23*	4.5
IV. Agriculture ..	50,194	4.09	0.3	1,20,870	8.69	0.4	57,808	3.95	0.2
V. Personal ..	6,33,830	99.22	6.1	5,95,742	101.77	5.5	7,28,206	109.22	5.2
VI. Professional ..	48,996	12.46	0.8	17,919	12.23	0.7	18,653	13.19	0.6
VII. All Others ..	58,227	45.66	2.8	51,408	51.65	2.8	83,938	50.05	2.4
VIII. TOTAL ..	10,28,841	1610.70	100.0	10,53,529	1864.75	100.0	11,26,397	2094.74	100.00

\* Adjusted to include 'due from banks' with a view to making the figures comparable with earlier years.

26. The growth in industrial credit in recent years has taken place at a higher rate in relation to the growth of industrial production and the rise in prices; the banking system's assistance has been also in the form of medium term credit as well as other longer term finance to compensate for the difficult conditions in the capital market. It should also be noted that though the total advances increased between the end of March 1964 and the end of March 1965 by more than 12 per cent, the number of accounts went up by about 7 per cent only raising the average advance per account. The number of accounts went down by 10 per cent in case of advances to industry, in spite of an increase in these advances both in absolute and relative terms. The number of commercial advances

too declined even though their amount rose over the year.

27. The progressive decline in the share of government securities in the total investments and the corresponding rise in the share of other domestic investments in the investment portfolio of the banks noticed in recent years, continued in 1965, though the changes were relatively of a minor order as compared to 1964 (Table 10). The proportion of investments in Indian government securities declined from 80.9 per cent to 80.7 per cent. But the ratio of other domestic investments to the total increased to a greater extent, from 16.2 per cent to 17.1 per cent, as a result

TABLE 10—INVESTMENTS OF SCHEDULED BANKS, 1962-1965

		(Rs. Crores)							
		March 31, 1962		March 31, 1963		March 31, 1964		March 31, 1965	
Number of Reporting banks		81		79		79		75	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
I. Investments of Indian Offices in									
(a)	Indian Government Securities .. .. .	624.62	85.6	626.97	83.4	669.14	80.9	755.12	80.7
(b)	Other Domestic Investments .. .. .	77.81	10.7	101.37	13.5	133.83	16.2	159.97	17.1
(c)	Foreign Securities .. .. .	4.19	0.5	2.99	0.4	2.80	0.3	2.97	0.3
	Total of I .. .. .	706.62	96.8	731.33	97.2	805.77	97.4	918.06	98.2
II. Investments of Foreign Offices .. .. .		23.06	3.2	20.83	2.8	21.27	2.6	17.10	1.8
III. Total of I & II .. .. .		729.68	100.0	752.16	100.0	827.04	100.0	935.16	100.0

of the decline in the share of investment of foreign offices from 2.6 per cent to 1.8 per cent, reflecting the fall in the business of the foreign offices of the Indian banks. As at the end of March 1965, the ratios of securities maturing between 5 and 10 years and securities maturing between 10 and 15 years to the total investments in government securities declined, while securities maturing within

5 years continued to improve their share (Table 11). The proportion of securities maturing within 5 years to the total jumped up from 42.2 per cent to 56.6 per cent. The relative share of securities maturing between 5 and 10 years suffered a sharp decline from 45.5 per cent to 33.8 per cent of the total investments in government securities.

TABLE 11—MATURITY-WISE INVESTMENTS IN GOVERNMENT SECURITIES OF INDIAN OFFICES OF SCHEDULED BANKS, 1962-1965

		(Rs. Crores)							
		March 31, 1962		March 31, 1963		March 31, 1964		March 31, 1965	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
I. Treasury bills .. .. .		71.19	11.3	36.69	5.9	19.37	2.9	5.31	0.7
II. Securities maturing*									
1.	within 5 years .. .. .	229.06	36.6	239.22	38.1	282.72	42.2	426.90	56.6
2.	between 5 & 10 years .. .. .	242.39	38.8	279.13	44.5	304.58	45.5	255.50	33.8
3.	between 10 & 15 years .. .. .	62.25	10.0	51.23	8.2	40.96	6.1	43.31	5.7
4.	after 15 years .. .. .	19.73	3.3	20.70	3.3	21.51	3.3	24.10	3.2
III. Total of I & II .. .. .		624.62	100.0	626.97	100.0	669.14	100.0	755.12	100.0

\* Amounts represent face values.

28. Published operating results are available for 33 scheduled banks including all the bigger units. Their total earnings went up in 1965 by Rs. 47 crores, or 33 per cent, to Rs. 190 crores, while expenses increased by Rs. 46 crores or 35 per cent, to Rs. 176 crores, the net profits after tax amounting to Rs. 14 crores, or 9 per cent higher than in 1964. The improvement in earnings resulted from the higher level of bank credit and the increase in the lending rates following the two rises in the Bank rate, a half per cent in September 1964 ; and one per cent in February

1965 ; revenue from interest and discount increased by Rs. 42 crores or by 36 per cent. Of the rise in expenses, Rs. 29 crores was accounted for by interest on deposits, the rates on which rose in February 1965, and charges on borrowings, which went up with the Bank rate and the increase in the credit-deposits ratio. Expenditure on establishment went up by Rs. 13 crores, partly due to higher dearness allowance payments to employees and partly on account of upward revision of staff salaries after the expiry of the validity of the Award of the National Industrial Tribunal (Bank Disputes) in July 1965.



TABLE 12—PRINCIPAL LIABILITIES AND ASSETS OF SCHEDULED BANKS, 1955-1965

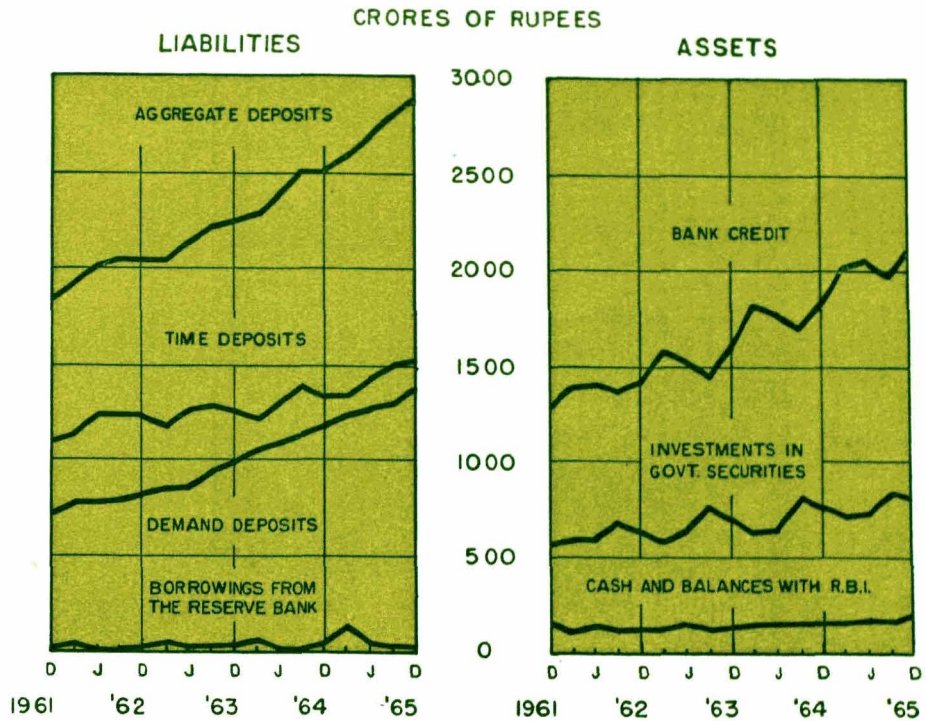
Last Friday of December	No. of Reporting Banks	Demand Deposits (excluding inter bank deposits)	Time Deposits (excluding inter bank deposits)	Aggregate Deposits from Reserve Bank	Borrowings from Reserve Bank	Cash in Hand and Balances with Reserve Bank	Percent- age of (6) to (4)	Total Bank Credit*	Percent- age of (8) to (4)	Investments			Total Investments	Percent- age of (10) to (4)
										Government Securities†	Others	10		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
1955	89	571.8	403.9	975.7	30.0	100.2	10.3	593.6	60.8	382.8	30.2	413.0	39.2	
1956	89	603.4	449.1	1052.5	79.1	90.5	8.6	744.9	70.8	364.2	30.6	394.8	34.6	
1957	91	658.9	638.7	1297.5	23.6	107.6	8.3	819.5	63.2	432.9	50.8	483.7	33.4	
1958	93	649.8	866.4	1516.2	11.0	119.4	7.9	830.6	54.8	637.0	54.9	691.9	42.0	
1959	94	668.9	1097.9	1766.8	11.8	113.9	6.4	921.9	52.2	787.4	67.6	855.0	44.6	
1960	93	721.0	1086.4	1807.3	61.5	162.0	9.0	1130.0	62.5	630.3	63.4	693.7	34.9	
1961	82	732.6	1102.1	1834.7	18.7	155.8	8.5	1277.0	69.6	577.0	74.8	651.8	31.4	
1962	80	816.9	1222.0	2038.9	20.7	132.7	6.5	1421.8	69.7	646.2	91.3	737.5	31.7	
1963	79	997.2	1255.6	2252.8	8.1	141.4	6.3	1580.9	70.2	707.2	122.4	829.6	31.4	
1964	76	1178.3	1345.7	2524.0	35.4	160.3	6.4	1811.0	71.8	764.4	140.3	904.7	30.3	
1965	76	1367.2	1520.1	2887.3	19.4	208.7	7.2	2104.8	72.9	826.2	167.8	994.0	28.6	

Note: 1. Figures are based on Form XII of the Banking Regulation Act, 1949 except those in column 6 which are based on weekly returns submitted by scheduled banks in terms of Section 42(2) of the Reserve Bank of India Act, 1934. 2. Figures from December 1961 are on a revised basis and consequently are not strictly comparable with those for the earlier years.

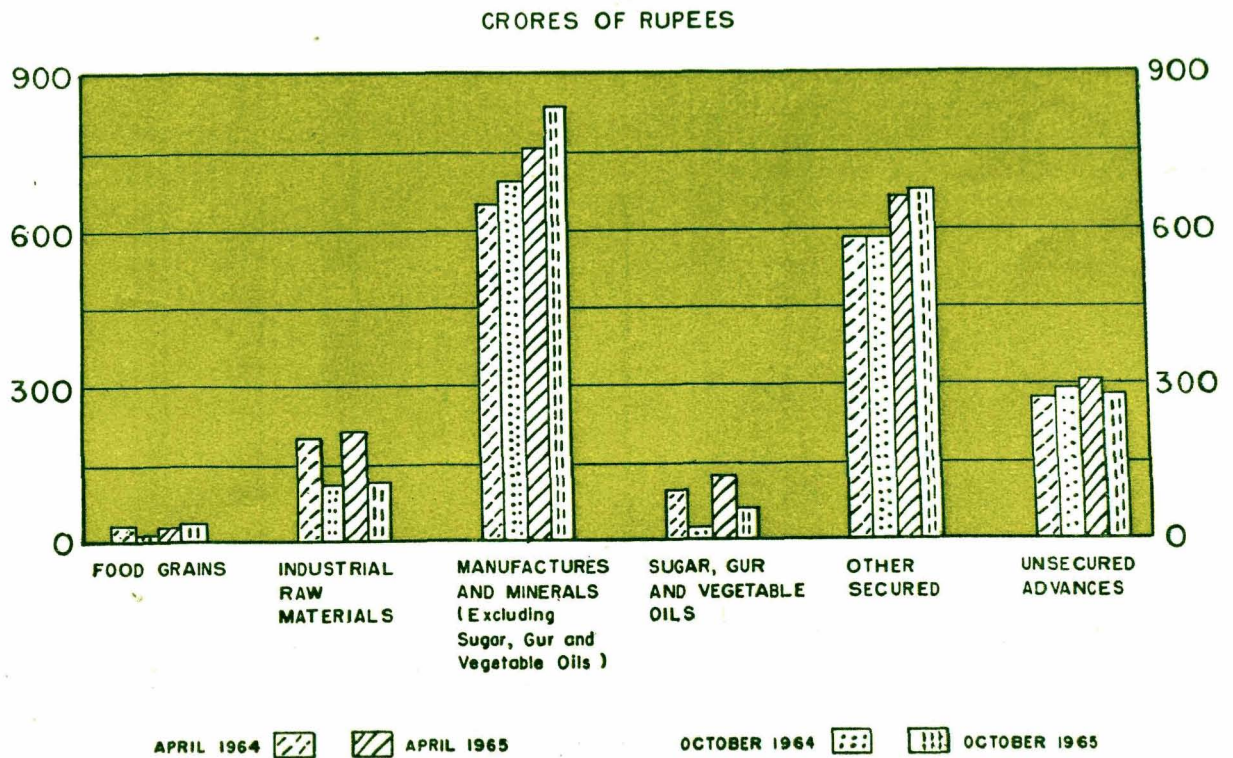
\* Includes inland and import bills purchased and discounted upto December 1960, and all bills purchased and discounted thereafter.

† Includes Treasury bills and Treasury Deposit receipts.

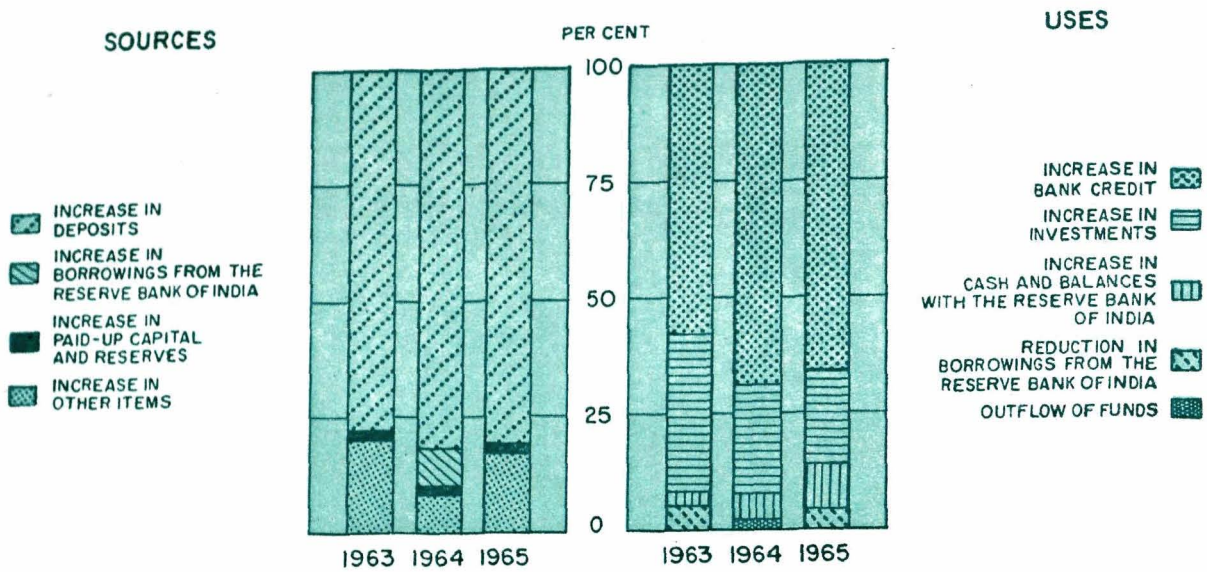
## PRINCIPAL LIABILITIES AND ASSETS OF SCHEDULED BANKS



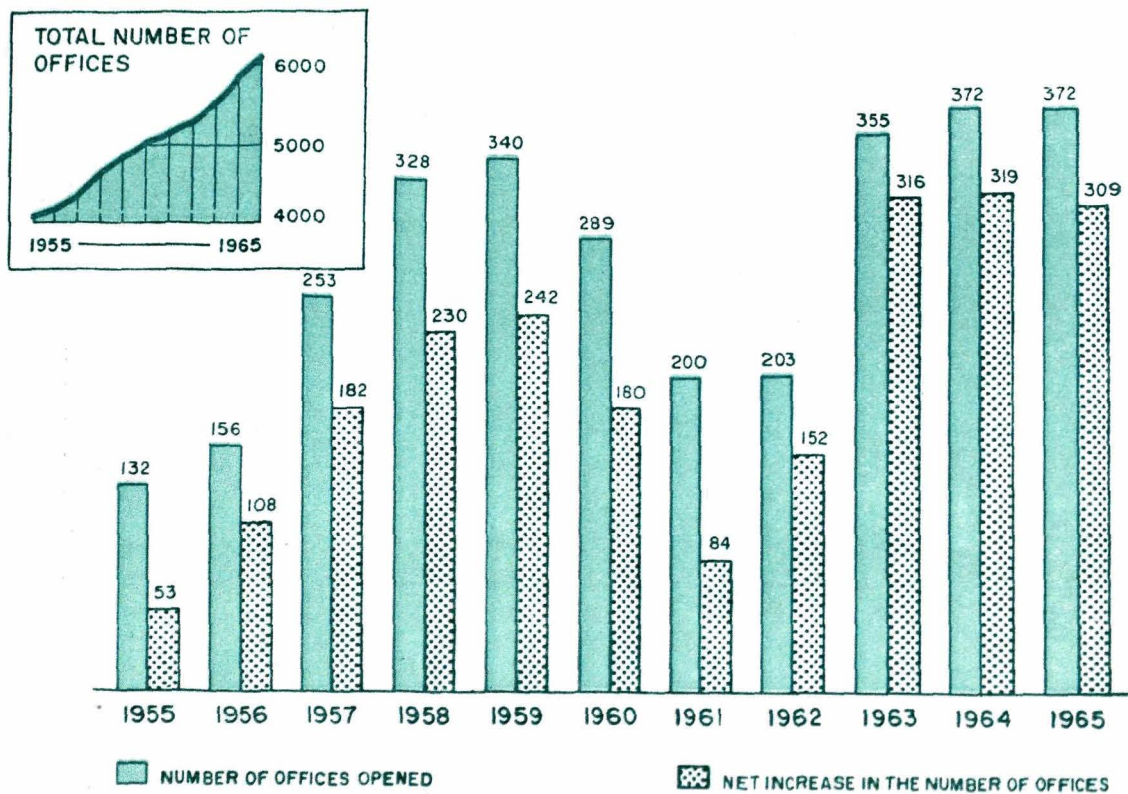
## SECURITY-WISE PATTERN OF ADVANCES OF SCHEDULED BANKS



## SCHEDULED BANKS - CHANGES IN SOURCES AND USES OF FUNDS



## GROWTH OF BANKING OFFICES : 1955 - 1965



## CHAPTER II

### BANKING LEGISLATION AND ORGANISATION

29. The regulatory powers of the Reserve Bank of India in respect of the banking structure include supervision over the working of the banks through licensing of banks and bank offices and periodical inspections as well as the strengthening of the system through a process of mergers of weaker units with stronger ones. A notable addition to the Reserve Bank's area of control was effected by the passage of legislation extending the Reserve Bank's statutory controls to co-operative banks. The other aspect of strengthening the institutional base consists in the provision of facilities in order that the credit requirements of certain special sectors of the economy viz. small-scale industries, agriculture and exports, are supplied adequately by the banking system. This chapter reviews the major developments in these fields during the year.

30. The Banking Laws (Application to Co-operative Societies) Bill, 1964, a reference to which was made in the last Report, was enacted in September 1965. The Act came into force on March 1, 1966. It extends to state co-operative banks, central co-operative banks and the more important primary non-agricultural credit societies including, in particular, urban co-operative banks, the provisions of the Reserve Bank of India Act and the Banking Companies Act, except those relating to incorporation, management and winding up which will continue to be governed by the State Co-operative Societies Acts. With these changes, the Banking Companies Act 1949, itself has been renamed as the Banking Regulation Act 1949.

31. The amendments to the Reserve Bank of India Act make State co-operative banks eligible to be included in the Second Schedule, with its attendant privileges and obligations. Further, all co-operative banks to which the provisions of the Reserve Bank of India Act, 1934 have been extended are now eligible to borrow in an emergency from the Bank. The more important among the provisions of the Banking Regulation Act which are applicable to co-operative banks are those in

regard to the maintenance of cash reserves, liquid assets, control on advances, licensing, inspection and issue of directives. A co-operative bank, other than a scheduled State co-operative bank, has to maintain under Section 18 of the Banking Regulation Act a cash reserve of not less than 3 per cent of its total demand and time liabilities either with itself or in current account with the higher financing agencies. Under Section 24 of the Act, all co-operative banks are required to maintain liquid assets, including the minimum cash reserve of 3 per cent, of not less than 20 per cent of the total demand and time liabilities in India, for a period of two years from the commencement of the Act or for such further period not exceeding one year as the Reserve Bank may allow in any particular case. This is in the nature of a transitional provision, for thereafter all co-operative banks will have to maintain, as commercial banks are required to do, liquid assets of not less than 25 per cent of the total demand and time liabilities, in addition to the minimum cash reserve or balances with the Bank of 3 per cent. As their borrowings from the higher financing agencies, which form a relatively higher proportion of their working funds, are excluded from the computation of demand and time liabilities, co-operative banks in practice should not experience difficulty in complying with these requirements. Co-operative banks are prohibited by Section 20 of the Act from granting unsecured loans and advances to directors, but the Reserve Bank is empowered to allow primary co-operative banks to grant, if necessary, unsecured loans and advances to their directors on such terms and conditions as may be approved by it. Section 21 of the Act empowers the Reserve Bank to issue directives to banks or to any of them regarding the terms and conditions on which advances and guarantees may be given by them. This section incidentally confers on the Bank the power to extend the various selective credit controls to the operations of co-operative banks. Under Section 22 of the Regulation Act all existing co-operative banks are required to apply to the Reserve Bank for a licence within a period of 3 months from the commence-

ment of the Act. Such banks will be permitted to carry on banking business if licences are granted to them or until they are informed by the Bank that a licence cannot be granted to them. A new bank will be required to obtain a licence before the commencement of the banking business. Co-operative societies other than co-operative banks, primary agricultural credit societies, primary credit societies (as defined in the Act) and land mortgage banks will not be allowed to carry on banking business beyond a period of one year from the commencement of the Act. Section 23 of the Act has conferred on the Reserve Bank powers to license the opening of branches, so as to bring about a proper co-ordination between branch expansion programmes of commercial banks and co-operative banks. Section 35 of the Act empowers the Reserve Bank to inspect the banks and issue directives to them. The Reserve Bank may inspect primary co-operative banks either directly or through State co-operative banks. So far, the Reserve Bank was carrying out inspections of State and central co-operative banks on an informal and voluntary basis. Certain other provisions of the Act which are applicable to co-operative banks provide for a continuation of policies and practices followed by co-operative banks under the Co-operative Societies Acts and rules made thereunder or their bye-laws.

32. It was indicated in the last Report that non-banking companies were called upon to furnish information relating to the deposits accepted by them from the public and relating to other business allied to banking.

**Non-Banking  
Companies :  
Regulation of  
Deposits and  
Hire-Purchase  
Business**

The data reported by them place the total deposits of non-banking companies at Rs. 186 crores as on March 31, 1964, having risen from Rs. 136 crores at the end of March 1962 and Rs. 154 crores a year later. An analysis of the maturity pattern of the deposits at the end of March 1964 shows that 52 per cent or Rs. 97 crores of the total was withdrawable on demand or on the expiry of a specified period of notice. Another 32 per cent, or Rs. 61 crores, was held for fixed maturities not exceeding one year. Thus, out of the total deposits of Rs. 186

crores, as much as Rs. 158 crores or 85 per cent of the total, represented short-term deposits which may be considered as directly competitive with the banking system. In order to provide a measure of protection to the depositors and to facilitate regulation of the credit system to the advantage of the country, the Bank, in January 1966 issued, two directives under the Banking Laws (Miscellaneous Provisions) Act, 1963, one to non-financial companies (other than insurance companies and companies receiving deposits only from their members) and the other to financial non-banking companies which carry on or finance hire-purchase business. Under these directives, all non-banking companies are prohibited from accepting deposits repayable on demand or notice. In addition, while non-financial companies are prohibited from accepting deposits repayable in less than 12 months, hire-purchase companies are prohibited from accepting deposits repayable in less than 6 months. The directives also require the disclosure of certain particulars in the advertisements issued by these non-banking companies, soliciting deposits from the public and the submission of balance sheet, profit and loss account and other information to the Reserve Bank. The hire-purchase companies are also required: (a) to maintain in India liquid assets (in the form of cash with themselves, balances with scheduled banks or unencumbered securities of the Central and State Governments or other approved securities) equivalent to not less than 9 per cent of their assets; and (b) to secure that the amount of instalment receipts under hire-purchase contracts received by them during each half year of an accounting year is not less than 25 per cent of the outstanding amount as at the close of the previous accounting year.

33. The consolidation of the banking system through compulsory mergers, voluntary amalgamations and transfer of assets and liabilities made further progress during the year and the total number of banks absorbed in this manner was 33 in 1965 as compared to 79 in 1964 (Table 13). The total number of commercial banks operating in the country at the end of 1965 was 109, of which 76 were scheduled banks.

TABLE 13—BANK MERGERS, AMALGAMATIONS AND TRANSFERS OF ASSETS AND LIABILITIES

Year	Voluntary Amalgamations under Section 44A of the Banking Regulation Act, 1949	Compulsory Mergers under Section 45 of the Banking Regulation Act, 1949	Other Mergers*	Transfer of Assets and Liabilities under Section 293(1)(a) of the Companies Act, 1956	Total
1960	2	—	—	5	7
1961	1	30	2	3	36
1962	3	1	2	5	11
1963	2	1	4	15	22
1964	7	9	1	62	79
1965	5	4	3	21	33
Total	20	45	12	111	188

\* Banks taken over by the State Bank of India and its subsidiaries.

34. Transfers of agreed assets and liabilities continued to be the most popular method of merging weaker units with stronger ones. 21 banks (14 in Madras, 4 in Kerala, 2 in Maharashtra and 1 in Rajasthan) transferred their liabilities and assets under Section 293(1)(a) of the Companies Act 1956; there were 62 such transfers in 1964. Besides, 5 banks voluntarily amalgamated with other banks in 1965 under Section 44A of the Banking Regulation Act 1949; the corresponding number in 1964 was 7.

35. The acquisition of business of the Dewas Senior Bank Ltd., by the State Bank of Indore on March 20, 1965 completed the process of integration of minor State-associated banks with the State Bank of India and its subsidiaries. The State Bank of Travancore acquired the assets and liabilities of the Chaldean Syrian Bank Ltd., on October 1, 1965, in accordance with the scheme sanctioned by the Central Government under Section 38 of the State Bank of India (Subsidiary Banks) Act, 1959.

36. Under Section 45 of the Banking Regulation Act, 1949, 4 banks were merged with other banks in 1965 as against 9 in 1964. During 1965, 6 banks were granted moratoria, bringing the total number of such banks to 56 since 1960. Of these, 45 banks were merged with more viable units, 3 were ordered to be wound up, one was permitted to go into voluntary liquidation, one was allowed to amalgamate voluntarily with another bank and one was

dissolved under a scheme of arrangement. As regards the remaining 5 banks, the Central Government allowed moratoria to lapse in the case of 2 banks on the guarantee of their directors, and one bank was refused a licence to carry on banking business on the expiry of the moratorium, while the two foreign banks, namely the Habib Bank Ltd. and the National Bank of Pakistan, continued to be under moratoria at the end of the year. The assets of the last named two foreign banks have subsequently been vested in the Custodian of Enemy Property for India.

37. Out of the 45 banks compulsorily merged with other banks, depositors of 27 banks were given full credit for their deposits in the books of transferee banks on the relative dates of mergers. Depositors of 10 other banks received credits in the books of transferee banks in proportion to the readily realisable assets in addition to the preferential payments to each depositor of the sum standing to his credit or Rs. 250, whichever was less; depositors of 2 out of these banks have since received full payment. In the case of the remaining 8 banks, which were merged with other banks after the establishment of the Deposit Insurance Corporation, the depositors received credits in proportion to the readily realisable assets of the transferred institutions; wherever the amount of such pro-rata credit was short of Rs. 1500 or the balance in the depositor's account, whichever was less, the difference was made good by the Deposit Insurance Corporation

as provided in the relative schemes. Depositors of one of these banks have also since received full payment.

38. On an application from the Himalya Bank Ltd., Palampur, the Punjab High Court granted on August 18, 1965 the requisite permission to that bank to enter into negotiations with the State Bank of Patiala for the transfer of its new fund business to the latter bank. The draft scheme of acquisition was under consideration of the two banks at the end of 1965. On an application filed by the Commercial Bank Ltd., Kolhapur, the Maharashtra High Court passed an order on June 14, 1965 permitting it to transfer its new fund business to the Bank of Karad Ltd., Karad and the transfer was completed on July 30, 1965.

39. During the year, 10 non-scheduled banks went into liquidation, of which 3 were ordered to be wound up by the High Courts, while 7 went into voluntary liquidation after obtaining necessary certificates from the Reserve Bank under Section 44(1) of the Banking Regulation Act, 1949. The Bank scrutinised the returns submitted by the liquidators of 149 banks under Section 45R of the Banking Regulation Act, 1949 with a view to ensuring that the legal requirements were complied with and the liquidation proceedings were not unduly delayed.

40. No bank was granted a licence under Section 22 of the Banking Regulation Act, while licences granted to 11 non-scheduled banks were cancelled and 60 non-scheduled banks were refused licences during the year. Since the commencement of the Banking Regulation Act, 1949, 269 banks have been refused licences; this figure is exclusive of one bank which was granted a conditional licence subsequent to the refusal of a licence. At the end of 1965, the number of licensed banks was 60 and applications of 41 banks were under

consideration for the grant of licence. The banks so far licensed and the banks not requiring a licence, i.e. the State Bank of India and its subsidiaries, accounted for 97 per cent of the deposits of commercial banks in India at the end of 1965.

41. The Reserve Bank inspected during the year 51 scheduled banks and 37 non-scheduled banks under Section 35 of the Banking Regulation Act, 1949. Following the inspections, 47 banks were called upon to submit representations, if any, in regard to the directions proposed to be issued to them.

42. The number of insured banks declined from 157 at the end of 1964 to 109 at the end of 1965, mainly as a result of voluntary amalgamations and transfers of deposit liabilities and equivalent assets to other banks. No new bank was registered as an insured bank during the year. As on the last Friday of September 1965, the latest date for which data are available, the total number of deposit accounts with insured banks was 115.76 lakhs, of which 88.98 lakhs (with balances not exceeding Rs. 1500), or 77 per cent of the total number of accounts, were fully insured by the Corporation. No liability in respect of insured deposits arose during the year. From its inception in 1962 to the end of 1965, the Corporation has met claims aggregating Rs. 38.61 lakhs in respect of 9 banks. During the same period, repayments received by the Corporation in respect of the claims met totalled Rs. 14.01 lakhs.

43. During the year, the Reserve Bank granted permission to commercial banks to open 425 offices,\* of which 162 would be at un-banked centres. The number of offices actually opened by banks was 210 at banked centres and 162 at unbanked centres, as compared to 236 and 136 respectively in 1964. Scheduled banks opened 368 offices in 1965 as compared to 366 in 1964 (Table 14). Of these, the State Bank and its subsidiaries

\* Excluding permission granted for opening offices outside India, temporary, and seasonal offices, and for change of location of existing offices.

TABLE 14—VARIATIONS IN THE NUMBER OF OFFICES OF SCHEDULED AND NON-SCHEDULED BANKS IN 1964 AND 1965

	Scheduled Banks		Non-Scheduled Banks		All Banks	
	1964	1965	1964	1965	1964	1965
1. New offices opened .. ..	+366* (+71)	+368* (+128)	+ 6	+ 4	+372	+372
2. Changes due to amalgamations, mergers, transfers of assets and liabilities and inclusions in and exclusions from the Second Schedule to the Reserve Bank of India Act, 1934 .. ..	+ 133	+ 60 (+1)	— 133	— 60		
3. Existing offices closed .. ..	—19 (—4)	—17 (—1)	— 34	— 46	—53	—63
4. Overall variation in the number of offices .. .. .	+480 (+67)	+ 411 (+128)	— 161	— 102	+319	+ 309

Notes: 1. Data exclude administrative, seasonal, temporary and non-banking offices in the case of scheduled banks. In the case of non-scheduled banks, offices of non-operating banks and of banks which have been refused licence but have not been deleted from the list of banking companies have been included. 2. Figures for 1964 have been revised and those for 1965 are provisional. 3. Figures in brackets relate to the State Bank of India.

\* Includes the number of sub-offices, pay offices and sub-pay offices newly opened during the year in addition to the number of new branches.

accounted for 71 at banked centres and 100 at unbanked centres, as compared to 55 and 49 respectively in 1964. The overall increase in number of offices of scheduled banks, after taking into account the changes brought about by amalgamations, mergers, and transfers of assets and liabilities of banks, etc. was 411 in 1965 as compared to 480 in 1964. The decline in the number of offices of non-scheduled banks was also less in 1965 than in 1964. At the end of 1965 the total number of scheduled and non-scheduled bank offices stood at 5,935 and 233 respectively.

44. Reference was made in earlier Reports to the special role of the State Bank of India and its subsidiaries in extending banking facilities in the country. The State Bank of India has so far completed two branch expansion programmes, while its subsidiaries have completed their first. The State Bank of India opened 416 branches in its first branch expansion programme, covering the period July 1955 to June 1960. The second programme covering the period July 1960-June 1965

**Branch Expansion of the State Bank of India and its Subsidiaries**

provided for opening of 300 branches by the State Bank and its subsidiaries. The branches actually opened numbered 309 comprising 118 by the State Bank and 191 by its subsidiaries. The State Bank of India also launched its third programme for opening 319 branches at non-banking treasury and sub-treasury centres within 5 years from January 1, 1964; under this programme 85 branches have been opened, 76 in 1965 and 9 in 1964, leaving 234 branches to be opened in the last three years of the programme. In addition, the State Bank opened 18 new branches in 1965 in pursuance of its policy of expanding banking facilities in metropolitan cities and big towns. The State Bank of India's subsidiaries launched their second programme covering the period July 1965-June 1970 under which 24 branches were opened up to the end of 1965. Besides, the subsidiary banks selected 70 centres outside the expansion programme and had opened offices in 60 of these upto the end of 1965. As on December 31, 1965 the total number of offices of State Bank and its subsidiaries in India stood at 1267 and 658, as compared to 1140 and 612 respectively at the end of 1964.



45. The Bank's policy of promoting systematic expansion of banking facilities with particular reference to un-banked centres and under-banked regions in the country, has evoked good response from banks. The first three-year branch expansion programme of other Indian banks referred to in the last Report, concluded on July 31, 1965. During the three-year period from August 1, 1962 licences were issued under this programme to 47 banks for 616 new offices, including 231 at un-banked centres; and banks opened 573 offices, 216 at un-banked centres. The second programme covers the two-year period August 1965-July 1967, under which the Bank has approved opening of 635 offices, of which 227 are to be at un-banked centres. Up to the end of 1965, licences were issued for 65 new offices, 26 of which are to be at un-banked centres. Against these licences banks have opened 18 offices, including 9 at un-banked centres.
46. There was during the year, a further increase in the number of clearing houses in the country, in pursuance of the Bank's policy of providing clearing facilities at all centres with a population of one lakh and above. With the establishment of 3 clearing houses in 1965, the total number functioning in the country rose to 82, leaving only 25 out of 107 centres which have a population of one lakh and above according to the 1961 census, without clearing facilities. Of the total number of clearing houses functioning at the end of 1965, 7 are managed by the Reserve Bank, 60 by the State Bank of India, 14 by the subsidiary banks of the State Bank of India and one by a commercial bank.
47. The number of banks having offices abroad declined from 21 to 7 as the Government of Pakistan vested assets of Indian banks in Pakistan in the Custodian of Enemy Property following the Indo-Pakistani conflict in September last. As

**Branch Expansion of Other Banks**

**Clearing Houses**

**Indian Banks' Business Abroad**

a result, the number of offices of Indian banks abroad also declined from 95 to 56, the decline on account of Pakistan being partly offset by opening of an office each in Kenya, Mauritius, Singapore and the United Kingdom. At the end of 1965, the largest number of foreign offices of Indian banks were in Malaysia (11), followed by Kenya and the U.K. (7 each). Total liabilities of Indian banks abroad declined from Rs. 159 crores to Rs. 137 crores or by 14 per cent during the year. Total deposits of Indian banks abroad stood at Rs. 95 crores at the end of 1965, as against Rs. 108 crores a year earlier. The cessation of business of Indian banks in Pakistan and the decline in deposits in a few other centres resulted in a net fall in deposits, notwithstanding an increase at other centres. Loans and advances dropped from Rs. 49 crores to Rs. 40 crores, bills purchased and discounted from Rs. 24 crores to Rs. 22 crores, while money at call and short notice rose from Rs. 13 crores to Rs. 16 crores. As liquid assets\* increased during the year by Rs. 1 crore to Rs. 47 crores, their ratio to deposits rose sharply from 42 per cent to 50 per cent.

48. Since March 1963, the Bank has been providing refinancing facilities to scheduled banks against declarations of eligible export bills under the Export Bills Credit Scheme. During the year, the total advances made by the Bank to eligible banks amounted to Rs. 49.69 crores, as compared to Rs. 26.69 crores in 1964. Almost the entire amount in 1965 (Rs. 48.17 crores) was availed of against declarations of rupee export bills which are eligible for refinance at the Bank rate. The outstanding amount of export bill advances by the Reserve Bank at the end of 1965 was Rs. 2.95 crores of which Rs. 2.86 crores was in respect of rupee export bills. The Industrial Development Bank of India also provides refinancing facilities in respect of medium-term export credits given by eligible credit institutions, including banks, to exporters at 4½ per cent, provided the borrowing institution does not charge the exporter more than 6 per cent, and 5 per cent

**Export Finance Facilities**

\* Comprising cash in hand, balances with Central banks, balances in current accounts with other banks, money at call and short notice, and bills purchased and discounted.

if the rate charged by the borrowing institution to the exporter is more than 6 per cent. During the year the bank sanctioned refinancing limits for Rs. 1.18 crores, of which Rs. 75.88 lakhs was disbursed with Rs. 61.91 lakhs outstanding at the end of the year.

49. The Industrial Development Bank of India provides refinance to banks also in respect of their medium term loans to industrial concerns for expansion and modernisation of plant and machinery and for the establishment of new units. While the amount of refinance sanctioned by the Industrial Development Bank was, at Rs. 22.55 crores, a trifle lower than in 1964, the amount disbursed was Rs. 2.8 crores higher than in 1964. Refinance disbursed to commercial banks amounted to Rs. 18.44 crores in 1965 as compared to Rs. 18.02 crores in 1964, the total outstanding at the end of 1965 being Rs. 46.89 crores compared to Rs. 34.46 crores a year ago.

50. The Industrial Development Bank has also supplemented the resources of banks by rediscounting bills and promissory notes arising out of sales on deferred payment basis of indigenous machinery for cotton, jute, paper, cement, sugar, silk and art silk industries under a scheme introduced on April 1, 1965. Upto the end of December 1965, 5 banks rediscounted bills for a total sum of Rs. 85.37 lakhs. The total credit limits sanctioned to 12 banks amounted to Rs. 15.54 crores at the end of 1965.

51. On behalf of the Government of India, the Reserve Bank has also been administering since July 1960 a scheme for guarantee of advances granted to small-scale industries by approved banks and other financial institutions. During 1965, guarantees were issued for Rs. 41.93 crores as compared to Rs. 22.27 crores in 1964. From the introduction of the scheme in July 1960 to the end of the year under review, 27,262 applications were received for an amount of Rs. 115.98 crores and guarantees

were issued in respect of 22,733 applications for a total sum of Rs. 91.46 crores, and the guarantee obligation arose in respect of 68 advances, the Government's share of the amount in default being Rs. 7.79 lakhs. In addition to the State Bank and its subsidiaries, which have decided to bring all their advances to small-scale industries under the cover of the guarantee scheme, 32 banks have availed themselves of this facility till the end of 1965.

52. With a view to maintaining the flow of credit to small-scale industrial units located in the border districts of the Punjab which were affected by the recent Indo-Pakistan conflict, the Bank temporarily liberalised the scheme in October 1965 with the approval of the Central Government. The extent of guarantee cover in respect of individual advances was enhanced and the maximum amount recoverable from the Guarantee Organisation in respect of any one advance was increased from Rs. 1 lakh to Rs. 2.50 lakhs. This liberalised procedure was in force upto the end of February 1966.

53. Though the special Bank accommodation to banks in respect of their advances to small-scale industries was discontinued in September 1964, when the quota-cum slab rate system of lending to banks was substituted by a system of accommodation with rates varying with the net liquidity ratio of the borrowing bank, scheduled banks' advances to small-scale industries continued to rise. They went up by 37 per cent from Rs. 53.88 crores at the end of June 1964 to Rs. 73.83 crores at the end of March 1965, the latest date for which data are available. The share of small-scale industries in the total of scheduled banks' industrial advances also rose from 4.9 per cent to 5.7 per cent. The number of accounts increased from 22,801 to 24,639 and the average amount per account went up from Rs. 23,631 to Rs. 29,965 during this period. Among individual groups of small-scale industries, the largest share of bank credit, Rs. 17.69 crores or 24 per cent, was claimed at the end of March 1965 by the light engineering group, with the textile

**Refinance of  
Term Loans to  
Industrial  
Concerns**

**Bank  
Finance for  
Small-scale  
Industries**

**Guarantee  
Scheme for  
Small-scale  
Industries**

group following with Rs. 10.44 crores or 14.1 per cent.

54. The establishment of the Agricultural Refinance Corporation in 1963, provided encouragement to commercial banks in extending their interest in medium and long-term financing of agricultural development schemes, particularly the development of planta-

**Refinance of Term Loans for Agricultural Development**

tions, for which refinance from the Corporation is available to scheduled banks, State co-operative banks and central land mortgage banks. From its inception to the end of 1965, the Corporation has sanctioned refinance for Rs. 22.83 crores, of which Rs. 1.30 crores has been drawn upon by borrowing institutions. The latter include two commercial banks which drew Rs. 8.30 lakhs. The Governor of the Bank impressed on scheduled banks the need for providing medium and long-term finance for agricultural development schemes, at a conference of the representatives of scheduled banks, plantation associations and statutory boards convened by the Corporation in January, 1965.

55. A reference was made in the last Report to the establishment of the Unit Trust of India, with a view to augmenting the supply of capital to industry and providing small investors with a means of

**The Unit Trust of India**

acquiring a share in the industrial progress of the country. During the year ended June 30, 1965, the Trust sold units for Rs. 19.14 crores. Of the total resources of Rs. 24.70 crores at the end of June 1965, investments in ordinary shares amounted to Rs. 9.6 crores, preference shares Rs. 1.9 crores and debentures Rs. 9.3 crores. The Trust declared a dividend of 6.1 per cent to unit holders and 3 per cent to the subscribers of the initial capital for the year ended June 30, 1965.

56. The Reserve Bank maintains a credit information division which collects information from banks and other notified financial institutions in respect of credit facilities allowed by them to individual customers and supplies information in a consolidated form to these institutions on request. During the year, credit information in respect of 2673 applications was furnished to 27 applicant banks and one notified financial institution.

**Credit Information**

57. The Bank continued to sponsor and organise training courses at the Bankers' Training College, Bombay for the personnel of commercial banks. In 1965, the College conducted three senior courses, four intermediate courses, one course each in foreign exchange, industrial finance and personnel and organisation; the number of bank officials who attended these courses was 281. Since the inception of the college in 1954, 2124 bank officials have received training in the College. Following the extension of the Reserve Bank's statutory control to co-operative banks, the Bank has organised training facilities for the managerial staff of co-operative banks in practices and procedures of modern banking. At the first course held at the College in 1965, twenty-nine officials from State and Central co-operative banks received training.

**Bankers' Training College**

58. Apart from the two-day seminar organised in January 1965 for the chief executives of commercial banks referred to in the last Report, the Bank organised a seminar in March 1965 for the chief executives of transferee banks (i.e. banks which have taken over the business of other banks) operating in Madras and Trivandrum areas. Twenty-five senior executives from 17 banks participated in the seminar and discussed among themselves and with the officers of the Reserve Bank various problems arising out of amalgamations and mergers of banks.

**Seminar for Chief Executives of Commercial Banks**

59. The Award of the National Industrial Tribunal (Bank Disputes) relating to the scale of pay and allowances and other service conditions of the workmen staff in certain commercial banks expired on July 30, 1965. The Award relating to the workmen employees of the Reserve Bank of India also expired on October 29, 1965. Discussions between representatives of employees' organisations and managements of banks were held after the expiry of the Award for considering the demands made by employees pertaining to wage scales and other service conditions.

**Expiry of  
Bank  
Awards**

60. The Payment of Bonus Ordinance, 1965 which was applicable, *inter alia*, to the banking industry (excluding the Reserve Bank of India, the Deposit Insurance Corporation, the Industrial Development Bank of India and certain other financial institutions in the public sector) was promulgated by the Government of India on May 29, 1965. The Ordinance has subsequently been replaced by the Payment of Bonus Act, 1965 (No. 21 of 1965) which came into force from September 25, 1965.

**The Payment  
of Bonus Act**

## APPENDIX I

PARTICULARS IN RESPECT OF BANKS GRANTED MORATORIUM DURING 1965  
UNDER SECTION 45 OF THE BANKING COMPANIES ACT, 1949

Name of the bank	No. of offices	Name of the transferee bank	Date on which scheme of amalgamation came into force
(1)	(2)	(3)	(4)
(i) Allahabad Trading and Banking Corporation Ltd., Allahabad	.. 1	State Bank of India	25-8-1965
(ii) Vettaikaranpudur Mahajana Bank Ltd., Vettaikaranpudur	.. 1	Bank of Madura Ltd., Madura	1-9-1965
(iii) Malnad Bank Ltd., Tarikere	.. 2	State Bank of Mysore, Bangalore	6-10-1965
(iv) Josna Bank Ltd., Cochin	.. 12	Lord Krishna Bank Ltd., Cranganore	13-10-1965
(v) Habib Bank Ltd., Bombay@	.. 1	—	—
(vi) National Bank of Pakistan, Calcutta@	.. 1	—	—

@ The banks were under moratorium at the end of the year. The future set-up of these banks was under consideration.

## APPENDIX II

## 1. STATEMENT SHOWING THE POSITION IN REGARD TO LICENSING IN TERMS OF SECTION 23 OF THE BANKING COMPANIES ACT, 1949

No. of places in respect of which applications were received during 1965 and those pending at the end of 1964	No. of places in respect of which licences were granted/refused for opening new offices		For opening temporary/seasonal offices		For changing the location of existing offices		No. of applications treated as withdrawn by banks	Total	
	Granted	Rejected	Granted	Rejected	Granted	Rejected		Granted	Rejected
2106@	431*	7	22	—	8	2	1446	461	9
(9)	(6)	—						(6)	

Note :—Figures in brackets indicate the number of offices outside India and are included in the main figures.

@ Applications in respect of 172 offices of banks in the private sector and 15 offices of subsidiary banks were under consideration and 3 applications for opening offices outside India were pending as on the 31st December 1965.

\* Include 56 licences issued to banks in order to enable them to take over the existing offices of other banks and 11 conditional licences.

## 2. STATEMENT SHOWING THE NUMBER OF OFFICES OPENED OR CLOSED IN FOREIGN COUNTRIES BY INDIAN BANKS DURING 1965

	Kenya	Mauritius	Singapore	United Kingdom
No. of offices opened	.. 1	1	1	1
No. of offices closed	.. —	—	—	—

## APPENDIX III

## PARTICULARS IN RESPECT OF AMALGAMATIONS AND TRANSFERS OF ASSETS AND LIABILITIES OF BANKING COMPANIES IN 1965

Name of the bank	No. of offices	Name of the transferee bank	Date of amalgamation or transfer
(1)	(2)	(3)	(4)

## I. List of banks amalgamated under Section 44A of the Banking Companies Act, 1944

1. St. George Union Bank Ltd., Puthenpally ..	1	Federal Bank Ltd., Alwaye	27-1-1965
2. City Forward Bank Ltd., Kumbakonam ..	7§	Kumbakonam City Union Ltd., Kumbakonam	26-4-1965
3. Union Bank Ltd., Kumbakonam ..	1	Kumbakonam City Union Ltd., Kumbakonam	26-4-1965
4. Woriur Commercial Bank Ltd., Woriur (Tiruchirapalli) ..	1	Tiruchi United Bank Ltd., Tiruchirapalli	26-5-1965
5. Palakarai Bank Ltd., Tiruchirapalli ..	1	Tiruchi United Bank Ltd., Tiruchirapalli	24-6-1965

## II. List of banks which have transferred their Assets and Liabilities to other banks

1. Christian Popular Bank Ltd., Irinjalakuda ..	1	Bank of Cochin Ltd., Ernakulam	2-1-1965
2. Sri Mayuram Bank Ltd., Mayuram ..	1	Bank of Madura Ltd., Madurai	9-1-1965
3. Sri Nadambal Bank Pvt., Ltd., Pattukkottai ..	5	Lakshmi Vilas Bank Ltd., Karur	27-1-1965
4. Srirangam Janopakara Bank Ltd., Srirangam	1	Bank of Madura Ltd., Madurai	15-2-1965
5. Indian Insurance & Banking Corporation Ltd., Trichur	11**	Catholic Syrian Bank Ltd., Trichur	26-2-1965
6. Kattuputhur Bank Private Ltd., Kattuputhur	1	Lakshmi Vilas Bank Ltd., Karur	19-3-1965
7. Chettinad Mercantile Bank Ltd., Karaikudi	12	Bank of Madura Ltd., Madurai	2-6-1965
8. Coimbatore Baghialakshmi Bank Ltd., Coimbatore	1	Karur Vysya Bank Ltd., Karur	1-7-1965
9. Didwana Industrial Bank Ltd., Didwana ..	1	New Bank of India Ltd., New Delhi	8-7-1965
10. Coimbatore National Bank Ltd., Coimbatore	1	Nedungadi Bank Ltd. Kozhikode	9-7-1965
11. Coonoor Subramania Vilasa Upakara Bank Ltd., Coonoor	2	Vijaya Bank Ltd., Mangalore	10-7-1965
12. Sind National Bank Ltd., Ulhasnagar ..	1	Union Bank of India Ltd., Bombay	17-7-1965
13. Mar Appraem Bank Ltd., Trichur ..	1@@	Catholic Syrian Bank Ltd., Trichur	24-7-1965

\* 2 offices taken over by the transferee bank.

\*\* 8 offices taken over by the transferee bank and three merged with its offices.

§ 5 offices taken over by the transferee bank and two merged with its offices.

@@ Not taken over by the transferee Bank.

APPENDIX III--*Contd.*

Name of the bank	No. of offices	Name of the transferee bank	Date of amalgamation or transfer
(1)	(2)	(3)	(4)
14. Commercial Bank Ltd., Kolhapur (New Fund)	1	Bank of Karad Ltd., Karad	30-7-1965
15. Trichy Ananthapuram Bank Ltd., Tiruchirappalli	3@	Tanjore Permanent Bank Ltd., Tanjore	21-8-1965
16. Varaganeri Subramania Bank Ltd., Tiruchirappalli	3*	Tanjore Permanent Bank Ltd., Tanjore	21-8-1965
17. Salem National Bank Ltd., Salem	.. 1	Lakshmi Vilas Bank Ltd., Karur	26-8-1965
18. Salem Sree Ramaswami Bank Ltd., Salem	.. 5	Lakshmi Vilas Bank Ltd., Karur	2-9-1965
19. Mannargudi Bank Ltd., Mannargudi	.. 7	Indian Bank Ltd., Madras	15-12-1965
20. Tiruchi Varthaga Sangam Bank Ltd., Tiruchirappalli	1	Tanjore Permanent Bank Ltd., Tanjore	15-12-1965
21. Oriental Insurance & Banking Union Ltd., Trichur	4†	South Indian Bank Ltd., Trichur	18-12-1965

**III. List of banks amalgamated under Section 45 of the Banking Companies Act, 1949**

1. Allahabad Trading & Banking Corporation Ltd., Allahabad	1	State Bank of India	25-8-1965
2. Vettaikaranpudur Mahajana Bank Ltd., Vettaikaranpudur	1	Bank of Madura Ltd., Madurai	1-9-1965
3. Malnad Bank Ltd., Tarikere	.. 2	State Bank of Mysore, Bangalore	6-10-1965
4. Josna Bank Ltd., Cochin	.. 12	Lord Krishna Bank Ltd., Cranganore	13-10-1965

† 3 offices taken over by the transferee bank and one merged with its offices.

@ One office taken over by the transferee Bank.

## APPENDIX IV

## LIST OF CIRCULARS INCLUDED IN THE APPENDIX

CIRCULAR NO.	DATE	SUBJECT
1. DBO. No. Sch. 72/C. 110-65	14.1.1965	Notified Bank.
2. DBOD. No. Sch. 764/C. 96-65	2.6.1965	Finance for Agriculture.
3. DBO. No. Sch. 215/C. 96-65	17.2.1965	Change in Bank rate.
4. DBO. No. Sch. 216/C. 96-65	17.2.1965	Maximum Interest on Loans.
5. DBO. No. Sch. 217/C. 96-65	17.2.1965	Interest on Deposits.
6. DBOD. No. Cre. 176/C. 218-65	27.5.65	Advances against Foodgrains.
7. DBOD. No. Cre. 177/C. 218-65	27.5.65	-do-
8. DBOD. No. Cre. 556/C. 218-65	12.11.65	Advances against Paddy and Rice.
9. DBOD. No. Cre. 281/C. 218-65	5.8.65	Advances against wheat.
10. DBOD. No. Cre. 557/C. 218-65	12.11.65	-do-
11. DBOD. No. Cre. 654/C. 218-65	13.12.65	-do-
12. DBOD. No. Cre. 280/C. 218-65	5.8.65	Advances against other foodgrains.
13. DBOD. No. Cre. 508/C. 218-65	23.10.65	-do-
14. DBOD. No. Cre. 509/C. 218-65	23.10.65	-do-
15. DBOD. No. Cre. 542/C. 218-65	6.11.65	-do-
16. DBOD. No. Cre. 558/C. 218-65	12.11.65	-do-
17. DBOD. No. Cre. 655/C. 218-65	13.12.65	-do-
18. DBOD. No. Cre. 555/C. 218-65	12.11.65	Concessions in margins to dealers in Punjab.
19. DBOD. No. Cre. 249/C. 218(H)-65	21.7.65	Advances against Oilseeds.
20. DBOD. No. Cre. 250/C. 218(H)-65	21.7.65	-do-
21. DBOD. No. Cre. 284/C. 218(H)-65	5.8.65	Advances against Other oilseeds.
22. DBOD. No. Cre. 657/C. 218(H)-65	13.12.65	-do-
23. DBOD. No. Cre. 282/C. 218(H)-65	5.8.65	Advances against vegetable oils.
24. DBOD. No. Cre. 379/C. 218(H)-65	20.9.65	-do-
25. DBOD. No. Cre. 380/C. 218(H)-65	20.9.65	-do-
26. DBOD. No. Cre. 656/C. 218(H)-65	13.12.65	-do-
27. DBOD. No. Cre. 283/C. 218(F)-65	5.8.65	Advances against Cotton and Kapas.
28. DBOD. No. Cre. 303/C. 218(F)-65	16.8.65	-do-
29. DBOD. No. Cre. 304/C.(F)-65	16.8.65	-do-
30. DBOD. No. Cre. 360/C. 218(F)-65	4.9.65	-do-



31. DBOD. No. Cre. 361/C. 218(F)-65	4.9.65	-do-
32. DBOD. No. Cre. 373/C. 218(F)-65	17.9.65	-do-
33. DBOD. No. Cre. 374/C. 218(F)-65	17.9.65	-do-
34. DBOD. No. Cre. 464/C. 218(F)-65	13.10.65	-do-
35. DBOD. No. Cre. 465/C. 218(F)-65	13.10.65	-do-
36. DBOD. No. B.M. 256/C. 279A-65	1.10.65	Special credit to Textile Mills.
37. DBOD. No. Sch. 909/C. 96-65	29.6.65	Advance Import Deposits.
38. DBOD. No. Sch. 910/C. 96-65	29.6.65	-do-
39. DBOD. No. Sch. 1197/C. 96-65	4.8.65	-do-
40. DBOD. No. Sch. 1198/C. 96-65	4.8.65	-do-
41. DBOD. No. Sch. 1017/C. 96-65	16.7.65	-do-
42. DBOD. No. Sch. 1018/C. 96-65	16.7.65	-do-
43. DBOD. No. Sch. 911/C. 96-65	29.6.65	-do-
44. DBOD. No. Sch. 965/C. 96-65	9.7.65	-do-
45. DBOD. No. Sch. 966/C. 96-65	9.7.65	-do-
46. A.D. Circular No. 15	12.7.65	-do-
47. DBOD. No. Sch. 1498/C. 96-65	9.9.65	Unsecured Advances.
48. DBOD. No. Sch. 1497/C. 96-65	9.9.65	-do-
49. DBOD. No. Sch. 1882/C. 96-65	20.11.65	Credit Policy for Busy season 1965-66.
50. DBOD. No. Sch. 1883/C. 96-65	20.11.65	Refinance to special sectors at Bank rate
51. DBOD. No. Sch. 2028/46A-65	21.12.65	Remittance Facilities.
52. DBOD. No. Leg. 251/C. 233A-65	28.7.65	Revision of Forms.
53. DBOD. No. Sch. 192/C. 96-65	9.12.65	Advances to Parties affected by curtailment of hundi accommodation.
54. DBOD. No. Sch. 1510/C. 96-65	10.9.65	Accounts of Pakistani Natio- nals.
55. DBOD. No. Sch. 1511/C. 96-65	10.9.65	-do-
56. DBOD. No. Sch. 1820/C. 96-65	9.11.65	Continuance of normal banking Facilities in border areas.
57. DBOD. No. Sch. 179/5/C. 96-65	4.11.65	National defence Gold Bonds 1980.

## SELECTED CIRCULARS ISSUED TO BANKING COMPANIES

**1. DBO. NO. Sch. 72/C. 110-65—January 14, 1965—All Scheduled Banks****Section 42 of the Reserve Bank of India Act, 1934—Notified Bank**

We append below for your information a copy of notification No. S.O. 22-F. 3(60)-BC/64 dated the 22nd December 1964 issued by the Government of India and published in Part II, Section 3(ii) of the Gazette of India dated the 2nd January 1965. In terms of the notification, the Industrial Development Bank of India has been notified for the purposes of clauses (a) and (aa) of sub-section (2) of section 42 of the Reserve Bank of India Act, 1934 with effect from the 2nd January 1965.

**Government of India, Ministry of Finance, (Department of Economic Affairs), New Delhi, the 22nd December 1964 [No. F. 3(60)-BC/64]**

S.O. 22.—In pursuance of clauses (a) and (aa) of sub-section (2) of section 42 of the Reserve Bank of India Act, 1934 (2 of 1934), the Central Government hereby notifies the Industrial Development Bank of India for the purposes of the said clauses.

**2. DBOD. No. Sch. 764/C. 96-65, June 2, 1965—All Scheduled Banks****Finance for Agricultural Development**

It has come to our notice that some scheduled banks have shown a degree of hesitancy to finance agricultural development schemes (including plantations) under the refinancing scheme of the Agricultural Refinance Corporation, in the light of recent observations of the Governor of the Reserve Bank requesting scheduled banks to bring about a sizeable contraction in bank credit in the current slack season. The comments of the Governor were made in the context of the current credit situation and against the background of the large seasonal expansion of bank credit in the 1964-65 busy season. While the emphasis of credit policy in its short-term aspect continues to be one of restraint, we would like to state that a modest and desirable increase in the provision of credit facilities for agricultural development under schemes approved by the Agricultural Refinance Corporation and refinanced by them would not, in our view, be inconsistent with the requirements of short-term credit policy.

**3. DBO. No. Sch. 215/C. 96-65, February 17, 1965—All Scheduled Banks****GOVERNOR'S LETTER****Change in Bank Rate**

The price situation still continues to cause great concern. In spite of a substantial increase anticipated in foodgrains output and other agricultural commodities, wholesale prices have not recorded the requisite seasonal decline and remain 16 per cent above the level a year ago. Expansion in money supply in the current busy season, though lower, has not been very much below the record rise achieved in the last busy season. Although the rise in bank credit so far in the current busy season has been less than the large rise in the corresponding period of last year, the reliance of the scheduled banks on the Reserve Bank is substantially higher than a year ago. It is, therefore, necessary to take additional measures which would further restrain the pace of monetary expansion in the current busy season. Accordingly, the Bank has decided upon the following measures :—

- (1) With immediate effect, the Bank rate is raised to 6 per cent per annum.
- (2) The system of regulating the effective lending rate to each scheduled bank based on its net liquidity position remains unchanged. The net liquidity position comprises the total of a bank's cash, its balances with the Reserve Bank of India, the State Bank of India, and other notified banks and balances in current accounts with other banks and investments in Government and other approved securities, less its total borrowings from the Reserve Bank, the State Bank and the Industrial Development Bank of India, as a proportion of its aggregate demand and time liabilities, as defined for purposes of the weekly return under Section 42(2) of the Reserve Bank of India Act. If the net liquidity position as defined above is at or above 30 per cent, the Reserve Bank will charge interest on the borrowings from it at the Bank rate. For every one percentage point or a fraction thereof of decrease in this ratio, the rate charged on the *entire* amount of its borrowing from the Reserve Bank would be stepped up by one-half of one per cent. The scheme of Rupee Export Bills will continue as at present, whereby banks can obtain finance against their holdings of rupee export bills at the Bank rate, irrespective of the level of effective rate of interest payable by the bank on the basis of the scheme above, subject to the condition that the bank will not charge commission, interest or discount on *all* such bills at a rate exceeding  $1\frac{1}{2}$  per cent per annum above the Bank rate.
- (3) The ceiling on the rate of interest/discount which Indian scheduled banks with aggregate demand and time liabilities of Rs. 50 crores and above, and all banks incorporated outside India, can charge on their advances/overdrafts and usance bills discounted, is now increased to 10 per cent.

2. These measures will result in the rates of interest which banks will be charging on their advances going up by a minimum of one per cent. This gives the banking system a further opportunity for a suitable readjustment of their deposit interest rates. This is in accordance with the Bank's policy of making banks more self-reliant through mobilisation of deposits. The Reserve Bank is, therefore, increasing the ceiling rates on deposits of varying terms under 3 months and is also setting a minimum for rates on deposits of 91 days and above. Minimum rates on savings deposits are also being increased. A directive prescribing the revised rates is being issued separately.

3. I trust the banks will appreciate that these steps have been necessitated by the serious situation facing the economy at the present juncture. The success of these measures in containing inflation depends to a large extent on the co-operation and understanding of the banking system and a proper implementation of the policy underlying these measures by it. I would therefore request you to exercise appropriate restraint in your lending operations to avoid any excessive creation of credit and extend your co-operation and assistance to the Reserve Bank.

4. Please acknowledge receipt and indicate the action taken by you in response to this letter.

#### 4. DBO. No. Sch. 216/C. 96-65—February 17, 1965

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949 and in supersession of the directive Ref. DBO. No. Sch. 97/C 96-64 of September 25, 1964, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that no scheduled bank incorporated in India and having aggregate demand and time liabilities of Rs. 50 crores or above, and no scheduled bank incorporated outside India shall charge interest on loans/ advances/cash credits/ overdrafts made by it or renewed by it after the date of this directive, or discount after the said date usance bills at a rate, in either case, higher than 10 per cent per annum.

**Explanation :** For the purpose of this directive, the term liabilities shall have the same meaning as given in clause (c) of the Explanation to sub-section (1) of Section 42 of the Reserve Bank of India Act 1934.

#### 5. DBO. No. Sch. 217/C. 96-65—February 17, 1965

In exercise of the powers conferred by Section 35A of the Banking Companies Act, 1949 and in supersession of the directive Ref. DBO. No. Sch. 98/C 96-64 dated September 25, 1964 the Reserve Bank of India being satisfied that it is in the public interest to do so, hereby directs that no scheduled bank shall pay on deposits of money accepted by it or renewed by it after the date of this directive, interest except in accordance with the rates specified below :—

For deposits payable upto 14 days and for deposits subject to withdrawal or repayment by notice period not exceeding 14 days	— Rate not to exceed the rate paid on current accounts as on the date of this directive.
For deposits for 15 days to 45 days and for deposits subject to withdrawal or repayment by notice period not exceeding 45 days	— Rate not to exceed 1.5 per cent per annum.
For deposits for 46 days to 90 days and for deposits subject to withdrawal or repayment by notice period not exceeding 90 days	— Rate not to exceed 3 per cent per annum.
For deposits of 91 days and over but less than 6 months	— Rate to be not less than 5 per cent per annum.
For deposits of 6 months and over but less than one year	— Rate to be not less than 5½ per cent per annum.
For deposits of one year and over but less than 2 years	— Rate to be not less than 6 per cent per annum.
For deposits maintained in savings accounts that is other than current accounts and fixed deposit accounts	— Rate to be not less than 4 per cent per annum.

**Explanation :** For the purpose of this directive the term 'Savings Accounts' shall cover all deposit accounts designated as 'Savings Accounts', 'Savings Bank Accounts', 'Savings Deposit Accounts' and such other accounts by whatever name called, which are subject to the restrictions on the number and amount of cheques/withdrawals permitted during any specific period.

#### 6. DBOD. No. Cre. 176/C. 218-65—May 27, 1965—All Scheduled Banks

##### Advances against Foodgrains

Please refer to the directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964, as amended by the directives DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and DBO. No. Cre. 10114/C. 218-64 dated August 17, 1964, regulating bank advances against foodgrains (other than wheat).

2. Rice output in the current agricultural year (1964-65) is reported to be higher than that in the previous year, and normally this improvement in production should have been reflected in larger supplies to the market. However, rice prices recorded a further rise during 1964 and the wholesale price index of rice (*base* 1952-53 = 100)—on a weekly average basis—touched an all-time peak at 146 in September 1964. While rice prices have declined somewhat in recent months they are still higher compared to the position a year ago. Further, the coming into existence of the Food Corporation of India and the commencement of its operations have introduced a new element in the picture necessitating some adjustments in the frame-work of credit control which it is considered desirable to continue.

3. In 1964, bank credit was allowed to be maintained within ceiling limits equal to 90 per cent of the actual level of lending in 1962. The actual amount of all scheduled banks' controlled advances in 1964 was, however, below the permitted limits. In view of the larger output in 1964-65, it has been decided to allow the banks to maintain in each two-month period commencing from May-June 1965, average aggregate levels of advances against paddy and rice, including advances against warehouse receipts, equal to 100 per cent of the levels of such advances maintained in the corresponding periods during the year 1964 in the case of all States—except Andhra Pradesh—together. In the case of Andhra Pradesh, where the Food Corporation of India is expected to operate on a substantial scale, this ceiling limit has been fixed at 75 per cent of the 1964 level.

4. As in the past, a secondary ceiling within the overall ceiling in respect of non-warehouse advances has been prescribed this year also on the same basis as outlined in paragraph 3 above. The preferential margin of 40 per cent in respect of advances against warehouse receipts of the Central and State Warehousing Corporations has been allowed to continue.

5. Advances granted to the Food Corporation of India against the pledge/hypothecation of paddy and rice have been completely exempted from the purview of the directive. No such complete exemption from ceiling limits and margin control has been granted to the agents of the Food Corporation of India. However, in the case of such authorised agents a lower minimum margin of 25 per cent has been prescribed for advances against paddy and rice. Banks are requested to ensure that the agents to whom this concession is being extended have been duly authorised by the Food Corporation to act on its behalf. This is important so as to prevent any misuse of this concession in respect of transactions on private account by these agents.

6. Provision is made in the revised directive for the continuance of the additional credit limits enjoyed by banks' offices in the States of Punjab and Orissa.

7. The provisions relating to advances against 'other foodgrains' as set out in the directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964 as amended by the directives DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and DBO. No. Cre. 10114/C. 218-64 dated August 17, 1964 are, for the present, continued without change.

## 7. DBOD. No. Cre. 177/C. 218-65—May 27, 1965

### Advances against Foodgrains

**I. Margin:** In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949 and in partial modification of the directive DBO. No. Cre. 1623/C. 218-64 dated the February 8, 1964 as amended by the directive DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and the directive DBO. No. Cre. 10114/C. 218-64, dated August 17, 1964, in so far as they relate to credit and credit limits against security of paddy and rice, the Reserve Bank of India hereby directs that

every scheduled bank shall—maintain in respect of each credit limit against the security of paddy and rice, a margin which shall not be less than 50 per cent of the value of the relative stocks ;

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of paddy and rice to parties other than the Food Corporation of India and co-operative marketing and/or processing societies, the margin maintained shall not be less than 40 per cent of the value of the relative stocks ;

Provided further that in respect of credit limits granted to *licensed* dealers and millers in the State of Punjab against the security of paddy and rice, the margin maintained shall not be less than 25 per cent of the value of the relative stocks ;

Provided also that in respect of credit limits granted to the duly appointed agents of the Food Corporation of India in so far as such limits are against the stocks of paddy and rice dealt with by them as such agents, the margin maintained shall not be less than 25 per cent of the value of the relative stocks ;

**II. Paddy and Rice : Average Aggregate Levels of Credit:** maintain in respect of offices or branches opened before January 1, 1963 in each two-month period commencing from May-June 1965,

(1) a general ceiling of average aggregate level of credit against the security of paddy and rice which shall not—

(i) in respect of its offices and branches in the State of Andhra Pradesh exceed 75 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964 ;

(ii) in respect of its offices and branches in all other States taken together, exceed 100 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964 ;

Provided that *in addition* to the level of credit permitted under sub-clause (ii) above,

(a) offices and branches in the State of Punjab may maintain during the year 1965 an average aggregate level of credit equivalent to 15 per cent of the actual level of such credit allowed to *licensed* dealers and millers in the corresponding two-month period during the year 1964 provided the additional credit is given to such *licensed* dealers and millers ;

(b) offices and branches in the State of Orissa may maintain during the year 1965 an average aggregate level of credit, which may be allowed only to rice mills and traders in paddy and rice within that State, and which shall not exceed a limit calculated at the rate of Rs. 1 lakh per branch or office within that State ; and

(2) within the general ceiling under clause II(1) above, a further ceiling of average aggregate level of credit against paddy and rice other than against the pledge of warehouse receipts as are referred to in clause IV of this directive, which shall not exceed in the case of Andhra Pradesh 75 per cent, and in case of all other States taken together 100 per cent, of the average aggregate of such credit actually maintained in the corresponding two-month period during 1964 in relation to advances other than advances against such warehouse receipts.

**III. New Offices or Branches:** *In addition* to the level of credit permitted to be maintained under clause II above, every scheduled bank may maintain in each two-month period, commencing from May-June 1965, a further level of credit against the security of paddy and rice, at its new offices, *i.e.* offices or branches opened on or after January 1, 1963—

(a) where such offices are at "centres without banking facilities", to the extent of Rs. 1 lakh in respect of each such office subject to the relative stocks being in the possession of or under the control of the office concerned : but any excess of such level of credit over Rs. 1 lakh shall be taken into account for computing the average aggregate level of credit for the purposes of this directive ;

(b) where such offices are at centres not covered by sub-clause (a) above, to an extent equal to *three times* the average aggregate level of credit actually maintained by those offices in the corresponding two-month periods during the year 1964; but any excess of such level of credit over the permitted level under this sub-clause shall be taken into account for computing the average aggregate level of credit for the purposes of this directive. (Note : The amount of permitted level for purposes of clauses II and III (b) will be intimated to each bank).

**IV. Exemptions :** Advances against paddy and rice granted to the Food Corporation of India (excluding advances granted to its duly appointed agents) as also to co-operative marketing and/or processing societies shall be completely exempt from the provisions of this directive. Advances against warehouse receipts of those warehouses which were established by the Central and State Warehousing Corporations *on or after January 1, 1961*, shall be exempt from the provisions of clause II of this directive.

**V. Definitions :** For the purposes of this directive :

(a) "two-month period" means successive two months commencing from May-June 1965 ;

(b) "credit" or "credit limit" includes credit provided by way of (1) loan or advance, (2) cash credit or overdraft, or (3) purchase or discount of bills other than demand documentary bills drawn in connection with the movement of paddy and rice ;

(c) "average aggregate level of credit" means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in Forms 7A and 7B is to be furnished, namely, the second and the fourth Friday when there are four Fridays in a month or the third and the fifth Friday when there are five Fridays in a month ;

(d) "centre without banking facilities" refers to a place within the radius of 15 miles of which there is no other office or branch of a scheduled bank operating ;

(e) "*licensed* dealers and millers" in the Punjab refers to dealers and millers licensed under the Punjab Rice Dealers Licensing Order, 1957 and the Punjab Rice Mills (Licensing and Control) Order, 1958, respectively.

**VI. Explanation :** References in this directive to "average aggregate level of credit" shall be construed as references to the level *inclusive* of advances outstanding against the pledge of warehouse receipts (issued by warehouses established by the Central and State Warehousing Corporations) made to parties other than the Food Corporation of India and co-operative marketing and/or processing societies. Accordingly, in computing the general limit of average aggregate level of advances against paddy and rice outstanding in the corresponding two-month period in 1964, advances outstanding against warehouse receipts to parties other than the Food Corporation of India and co-operative marketing and/or processing societies shall be taken into account. The permitted ceilings under this directive will be, (a) a general ceiling of average aggregate level of credit as stated under clause II which shall not exceed in the case of Andhra Pradesh 75 per cent, and in the case of all other States taken together 100 per cent, of such level of credit actually maintained in the corresponding two-month period of 1964 in relation to advances including those against warehouse receipts and (b) the *further* ceiling of credit in relation to advances other than advances against the pledge of the specified warehouse receipts, which shall not exceed, in the case of Andhra Pradesh 75 per cent, and in the case of all other States taken together 100 per cent, of average aggregate of such credit actually maintained in the corresponding two-month periods during 1964 in relation to

advances other than advances against the pledge of such warehouse receipts. The average aggregate level of credit under clause III(b) of this directive in relation to advances other than advances against the pledge of warehouse receipts, shall not exceed three times such level of credit actually maintained in the corresponding two-month periods during the year 1964 in relation to advances other than advances against the pledge of warehouse receipts.

**VII. Composite Advances :** Where credit limits have been sanctioned against the security of paddy and rice and against any other type of security (that is composite credit limits), the credit limits against paddy and rice shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**VIII. Other Foodgrains :** Nothing contained in this directive shall apply to advances made against 'Other foodgrains' and these advances would continue to be governed by the provisions in this regard as set out in the directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964 as amended by the directives DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and DBO. No. Cre. 10114/C. 218-64 dated August 17, 1964.

#### 8. DBOD. No. Cre. 556/C. 218-65—November 12, 1965

##### Advances Against Paddy and Rice

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India being satisfied that it is necessary in the public interest so to do, hereby directs that the directive DBOD. No. Cre. 177/C. 218-65 dated May 27, 1965, relating to advances against foodgrains (*i.e.* paddy and rice) shall be amended in the following manner :—

In the provisio to sub-clause (1) of Clause II, the following shall be inserted :—

“(c) offices and branches operating in the six districts of Ferozepore, Amritsar, Gurdaspur, Jullundur, Ludhiana and Kapurthala in the State of Punjab may maintain, upto the end of April 1966, a further limit of Rs. 2 lakhs per office or branch in respect of advances against paddy and rice and such limit shall be utilised exclusively in the said six districts.”

#### 9. DBOD. No. Cre. 281/C. 218-65—August 5, 1965

##### Advances against Wheat

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, and in supersession of the directive DBO. No. Cre. 4971/C. 218-64 dated April 21, 1964 as amended by the directive DBO. No. Cre. 10114/C. 218-64 dated August 17, 1964 the Reserve Bank of India hereby directs that every scheduled bank—

**I. Margin :** shall maintain in respect of each credit limit against the security of *wheat* a margin which shall not be less than 50 per cent of the value of the relative stocks :

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of wheat to parties other than co-operative marketing and/or processing societies and roller flour mills, the margin maintained shall not be less than 40 per cent of the value of the relative stocks.

**II. Average aggregate level of credit :** shall maintain in respect of offices or branches opened before January 1, 1963 in each two-month period commencing from August-September 1965,



- (1) a ceiling of average aggregate level of credit against the security of wheat which shall not—
- (i) in respect of its offices and branches in the State of Punjab, exceed 100 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964,
  - (ii) in respect of its offices and branches in all other States taken together, exceed 100 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964.

**III. New Offices or Branches :** may, *in addition* to the level of credit permitted to be maintained under clause II above, maintain in each two-month period, commencing from August-September 1965, a further level of credit against the security of wheat at its new offices, *i.e.* offices or branches opened on or after January 1, 1963—

(a) where such offices are at “Centres without banking facilities,” to the extent of Rs. 1 lakh in respect of each such office subject to the relative stocks being in the possession of or under the control of the office concerned : but any excess of such level of credit over Rs. 1 lakh shall be taken into account for computing the average aggregate level of credit for the purpose of this directive ;

(b) where such offices are at centres not covered by sub-clause (a) above, to an extent equal to *three times* the average aggregate level of credit actually maintained by those offices in the corresponding two-month periods during the year 1964 ; but any excess of such level of credit over the permitted level under this sub-clause shall be taken into account for computing the average aggregate level of credit for the purposes of this directive.

(Note : The amount of permitted level for purposes of clauses II and III (b) will be intimated to each bank).

**IV. Exemptions :** Advances against wheat granted to co-operative marketing and/or processing societies and to *roller flour mills* shall be completely exempt from the provisions of this directive. Advances against warehouse receipts of those warehouses which were established by the Central and State Warehousing Corporations shall be exempt from the provisions of clauses II and III of this directive.

**V. Definitions :** For the purposes of this directive :

(a) “two-month period” means successive two months commencing from August-September 1965.

(b) “credit” or “credit limit” includes credit provided by way of (1) loan or advance, (2) cash credit or overdraft, or (3) purchase or discount of bills other than demand documentary bills drawn in connection with the movement of wheat.

(c) “average aggregate level of credit” means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return under Forms 7A and 7B is to be furnished, namely, the second and the fourth Friday when there are four Fridays in a month or the third and the fifth Friday when there are five Fridays in a month ;

(d) “centre without banking facilities” refers to a place within the radius of 15 miles of which there is no other office or branch of a scheduled bank operating.

**VI. Composite Advances :** Where credit limits have been sanctioned against the security of wheat and against any other type of security (that is composite credit limits), the credit limits against wheat shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**10. DBOD. No. Cre. 557/C. 218-65—November 12, 1965****Advances against Wheat**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India being satisfied that it is necessary in the public interest so to do, hereby directs that the directive DBOD. No. Cre. 281/C. 218-65 dated August 5, 1965, relating to advances against wheat, shall be amended in the following manner.

(i) After the existing proviso to clause I, the following shall be inserted as second proviso :—

“Provided further that in respect of credit limits granted to *licensed* dealers and millers in the State of Punjab against the security of wheat, the margin maintained upto the end of April 1966, shall not be less than 25 per cent of the value of the relative stocks.”

(ii) At the end of Clause II, the following shall be inserted :—

“Provided that offices and branches in the six districts of Ferozepore, Amritsar, Gurdaspur, Jullundur, Ludhiana and Kapurthala in the State of Punjab, may maintain up to the end of April 1966, a further limit of Rs. 2 lakhs per office or branch in respect of advances against wheat and such limit shall be utilised exclusively in the said six districts.”

**11. DBOD. No. Cre. 654/C. 218-65—December 13, 1965—All Scheduled Banks****Advances against Wheat**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India being satisfied that it is necessary in the public interest so to do, hereby directs that the directive DBOD. No. Cre. 281/C. 218-65 dated August 5, 1965, as amended by directive DBOD. No. Cre. 557/C. 218-65 dated November 12, 1965, relating to advances against wheat, shall be amended in the following manner :—

For the words and figures “corresponding two-month period during the year 1964,” wherever they occur, the words, figures and brackets “corresponding two-month period during the year 1964-65 (from August 1964 to July 1965)”, shall be substituted.

**12. DBOD. No. Cre. 280/C. 218-65—August 5, 1965****Advances against “Other Foodgrains” (Foodgrains other than paddy and rice and wheat)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949 and in supersession of the directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964 as amended by the directives DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and DBO. No. Cre. 10114/C. 218-64 dated August 17, 1964, the Reserve Bank of India hereby directs that every scheduled bank shall—

**I. Margin :** maintain in respect of each credit limit against the security of “other foodgrains” (other than paddy and rice and wheat) a margin which shall not be less than 50 per cent of the value of the relative stocks :

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of ‘ other

foodgrains" to parties other than co-operative marketing and/or processing societies, the margin maintained shall not be less than 40 per cent of the value of the relative stocks.

**II. Average Aggregate Levels of Credit :** maintain in respect of offices or branches opened before January 1, 1963 in each two-month period commencing from August-September 1965, (1) a general ceiling of average aggregate level of credit against the security of "other foodgrains" (*i.e.* other than paddy and rice and wheat) which shall not—

(i) in respect of its offices and branches in the State of Maharashtra exceed 75 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964 ;

(ii) in respect of its offices and branches in (a) the State of Madhya Pradesh, (b) the State of Uttar Pradesh and (c) other States (excluding Maharashtra, Madhya Pradesh and Uttar Pradesh) taken together, exceed 100 per cent each of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1964 ;

(2) within the general ceiling under clause (II) (1) above, a *further ceiling* of average aggregate level of credit against "Other foodgrains" other than against the pledge of warehouse receipts, as are referred to in clause VI of this directive, which shall not exceed, in the case of Maharashtra, 75 per cent, and in the case of (a) Madhya Pradesh, (b) Uttar Pradesh and (c) other States (excluding Maharashtra, Madhya Pradesh and Uttar Pradesh) (taken together), 100 per cent each, of the average aggregate level of such credit actually maintained in the corresponding two-month periods during 1964 in relation to advances other than advances against such warehouse receipts.

**III. New Offices or Branches :** *In addition* to the level of credit permitted to be maintained, under clause II above, every scheduled bank may maintain in each two-month period, commencing from August-September 1965, a further level of credit against the security of "other foodgrains" at its new offices, *i.e.* offices or branches opened on or after January 1, 1963 —

(a) where such offices are at "centres without banking facilities," to the extent of Rs. 1 lakh in respect of each such office subject to the relative stocks being in the possession of or under the control of the office concerned : but any excess of such level of credit over Rs. 1 lakh shall be taken into account for computing the average aggregate level of credit for the purposes of this directive ;

(b) where such offices are at centres not covered by sub-clause (a) above, to an extent equal to *three times* the average aggregate level of credit actually maintained by those offices in the corresponding two-month periods during the year 1964, but any excess of such level of credit over the permitted level under this sub-clause shall be taken into account for computing the average aggregate level of credit for the purposes of this directive.

(Note : The amount of permitted level for purposes of clauses II and III (b) will be intimated to each bank).

**IV. Exemptions :** Advances against "other foodgrains" granted to co-operative marketing and/or processing societies shall be completely exempt from the provisions of this directive. Advances against warehouse receipts of those warehouses which were established by the Central and State Warehousing Corporations *on or after January 1, 1961*, shall be exempt from the provisions of clause II of this directive.

**V. Definitions :** For the purposes of this directive :

(a) "other foodgrains" means any, some or all of the following commodities, namely, jowar, bajra, maize, barley, ragi, gram and all other grains and pulses, but does not include paddy and rice and wheat ;

(b) "two-month period" means successive two months commencing from August-September 1965 ;

(c) "credit" or "credit limit" includes credit provided by way of (1) loan or advance, (2) cash credit or overdraft, or (3) purchase or discount of bills other than demand documentary bills drawn in connection with the movement of "other foodgrains";

(d) "average aggregate level of credit" means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in Forms 7A and 7B is to be furnished, namely, the second and the fourth Friday when there are four Fridays in a month or the third and the fifth Friday when there are five Fridays in a month ;

(e) "centre without banking facilities" refers to a place within the radius of 15 miles of which there is no other office or branch of a scheduled bank operating.

**VI. Explanation :** References in this directive to "average aggregate level of credit" shall be construed as references to the level *inclusive* of advances outstanding against the pledge of warehouse receipts (issued by warehouses established by the Central and State Warehousing Corporations before January 1, 1961) made to parties other than the co-operative marketing and/or processing societies. Accordingly, in computing the general limit of average aggregate level of advances against "other foodgrains" outstanding in the corresponding two-month period in 1964, advances outstanding against such warehouse receipts to parties other than the co-operative marketing and/or processing societies shall be taken into account.

**VII. Composite Advances :** Where credit limits have been sanctioned against the security of "other foodgrains" and against any other type of security (that is composite credit limits), the credit limits against "other foodgrains" shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**VIII. Paddy and Rice :** Nothing contained in this directive shall apply to advances made against paddy and rice and these advances would continue to be governed by the provisions in this regard as set out in the directive DBOD. No. Cre. 177/C. 218-65 dated May 27, 1965.

### 13. DBOD. No. Cre. 508/C. 218-65.—October 23, 1965—All Scheduled Banks

Please refer to our directive DBOD. No. Cre. 280/C. 218-65 dated August 5, 1965 on advances against 'other foodgrains' (*i. e.* excluding paddy and rice and wheat).

2. It has been decided that the American Maize, specified as yellow corn No. 2, imported under the PL 480 Agreement with the USA for use as an industrial raw material in the manufacture of starch, dextrose, glucose, etc. for the textile, chemical pharmaceutical and other industries may be exempted from both the margin and ceiling restrictions on advances against 'other foodgrains' as stipulated in the above mentioned directive. The banks should, however, satisfy themselves that the advances are in fact for this purpose, by verifying the necessary documents in this respect. They should continue to report these advances against item 5 in the fortnightly returns on Forms 7A and 7B and also show them separately on a return along with Forms 7A and 7B.

### 14. DBOD. No. Cre. 509/C. 218-65—October 23, 1965

#### Advances against "Other Foodgrains" (Foodgrains other than paddy, rice and wheat)

In exercise of the powers conferred by section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby

directs that in the directive DBOD No. Cre. 280/C. 218-65 dated August 5, 1965, in sub-clause (a) of clause V, for the words "but does not include paddy and rice and wheat" the following shall be substituted, namely :

"Paddy and rice, wheat and American Maize, specified as yellow corn No. 2, imported under the PL 480 Agreement with the USA for use as an industrial raw material in the manufacture of starch, dextrose, glucose etc. for the textile, chemical, pharmaceutical and other industries."

**15. DBOD. No. Cre. 542/C. 218-65—November 6, 1965—All Scheduled Banks**

**Advances against "Other Foodgrains" (Foodgrains other than paddy, rice and wheat)**

Our directive DBOD. No. Cre. 509/C. 218-65 dated the 23rd October 1965, enclosed with our letter DBOD. No. Cre. 508/C. 218-65 of even date, may be corrected as follows :

For "Paddy and rice, wheat and American Maize, " read "but does not include paddy and rice, wheat and American Maize."

**16. DBOD. No. Cre. 558/C. 218-65—November 12, 1965**

**Advances against "Other Foodgrains" (Foodgrains excluding paddy and rice and wheat)**

In exercise of the powers conferred by section 21 of the Banking Companies Act, 1949, the Reserve Bank of India being satisfied that it is necessary in the public interest so to do, hereby directs that the directive DBOD. No. Cre. 280/C. 218-65 dated August 5, 1965, as amended by directive DBOD No. Cre. 509/C. 218-65 dated October 23, 1965, relating to "other foodgrains" (excluding paddy and rice and wheat) shall be amended in the following manner.

(1) After the existing proviso to Clause I, the following shall be inserted as second proviso :—

"Provided further that in respect of credit limits granted to *licensed* dealers and millers in the State of Punjab against the security of "other foodgrains" (excluding paddy and rice and wheat), the margin maintained upto the end of April 1966 shall not be less than 25 per cent of the value of the relative stocks."

(2) After sub-clause (2) of Clause II, the following shall be inserted as sub-clause (3) :—

"(3) In addition to the limits referred to in sub-clauses (1) and (2), offices and branches of scheduled banks operating in the six districts of Ferozepore, Amritsar, Gurdaspur, Jullundur, Ludhiana and Kapurthala in the State of Punjab may maintain, upto the end of April 1966, a further limit of Rs. 2 lakhs per office or branch in respect of advances against other foodgrains (excluding paddy and rice and wheat) and such limit shall be utilised exclusively in the said six districts."

**17. DBOD. No. Cre. 655/C. 218-65—December 13, 1965—All Scheduled Banks**

**Advances against "Other Foodgrains" (Foodgrains excluding paddy and rice and wheat)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby directs that the directive DBOD. No. Cre. 280/C. 218-65 dated August 5, 1965, as amended by directive DBOD. No. Cre. 509/C. 218-65 dated October 23, 1965 and by directive DBOD. No. Cre. 558/C. 218-65 dated November 12, 1965, relating to "other foodgrains" (excluding paddy and rice and wheat) shall be amended in the following manner :—

For the words and figures "corresponding two-month periods during the year 1964", "corresponding two-month periods during 1964" and "corresponding two-month period in 1964" wherever they occur, the words, figures and brackets "corresponding two-month periods during the year 1964-65 (from August 1964 to July 1965)", shall be substituted.

#### 18. DBOD. No. Cre. 555/C. 218-65—November 12, 1965—All Scheduled Banks

Please refer to our directives DBOD. Nos. (1) Cre. 177/C. 218-65 dated May 27, 1965, (2) Cre. 280/C. 218-65 dated August 5, 1965, as amended by Directive DBOD No. Cre. 509/C. 218-65 dated October 23, 1965, and (3) Cre. 281/C. 218-65 dated August 5, 1965 relating to advances against foodgrains (*i.e.* paddy and rice), "other foodgrains" and wheat, respectively.

2. In view of the dislocation caused to trade and industry in the State of Punjab arising from the recent Indo-Pakistan conflict, it has been decided that the restrictions on scheduled bank advances be relaxed in respect of credits against stocks of certain foodgrains in Punjab. Accordingly, the minimum margin to be maintained on advances against wheat and other foodgrains (other than paddy and rice) by *licensed* dealers and millers in the State of Punjab is lowered from 50 per cent to 25 per cent. This concession will be in force upto the end of April 1966. The minimum margin in the case of advances against paddy and rice to *licensed* dealers and millers in that State will be continued at 25 per cent, as before.

3. Besides this, offices and branches of scheduled banks operating in the districts of Ferozepore, Amritsar, Gurdaspur, Jullundur, Ludhiana and Kapurthala in the State of Punjab, may maintain a further limit of Rs. 2 lakhs per office or branch, in respect of advances against paddy and rice against wheat and against other foodgrains. These additional limits will be used *exclusively* in these six districts only. This concession will be in force upto the end of April 1966.

#### 19. DBOD. No. Cre. 249/C. 218 (H)-65—July 21, 1965—All Scheduled Banks

##### Advances against Oilseeds

Please refer to the directive DBO. No. Cre. 3107/C. 218(H)-64 dated March 11, 1964 as amended by the directive DBO. No. Cre. 8401/C. 218(H)-64 dated July 7, 1964 regulating bank advances against groundnuts and other oilseeds (excluding cottonseeds).

2. The prospects of groundnut output for the year 1964-65 are better than in the year 1963-64 when the output had shown a rise of 12.6 per cent over the previous year. Despite this, however, prices of groundnuts (on an average for January-June 1965) are higher by about 23 per cent than a year ago. Prices of the other major oilseeds have also remained more or less at higher levels despite the improvement in the supply position.

In the circumstances, on a general review of the price and credit situation of these oilseeds and with a view to discouraging any undue use being made of scheduled bank credit for building stocks, it has been considered desirable to continue the general framework of controls with some modifications.

Accordingly, it has been decided that the average aggregate level of advances against the security of groundnuts for each two-month period commencing from July-August 1965 shall be equivalent to 100 per cent of the actual levels of such advances maintained in the corresponding periods during the year 1964. The facility relating to additional limits against the security of groundnuts available to exporters of groundnuts (H. P. S. Kernel) and/or groundnut oil has been withdrawn for the present, in view of the existing ban on export of groundnuts and groundnut oil. Additional limits against groundnuts in the case of integral oil expeller mills exporting de-fatted or de-oiled cake,

are, however, continued and the additional limits in this regard are now fixed at 25 per cent of the f.o.b. value of de-fatted or de-oiled cake actually exported by such mills in the corresponding period of 1964.

3. The minimum margin at 50 per cent required to be maintained by banks on advances against groundnuts as set out in the earlier directive is continued without any change.

4. The provisions relating to margin requirements against the security of 'other oilseeds' (excluding cottonseeds) as set out in the earlier directive are also continued under the revised directive without any change for the present.

## 20. DBOD. No. Cre. 250/C. 218 (H)-65—July 21, 1965

### Advances against Oilseeds

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, and in supersession of the directive DBO. No. Cre. 3107/C. 218(H)-64 dated March 11, 1964 as amended by the directive DBO. No. Cre. 8401/C. 218(H)-64 dated July 7, 1964, the Reserve Bank of India hereby directs that every scheduled bank—

**I. Groundnuts Margin:** (1) *shall* maintain in respect of each credit limit against the security of groundnuts whether granted before or after the date of receipt of this directive, a margin which shall not be less than 50 per cent of the value of the relative stocks ;

(2) **Average aggregate level of credit-ceilings:** *shall* maintain an average aggregate level of credit against the security of groundnuts during each two-month period commencing from July-August 1965 not exceeding 100 per cent of the average aggregate level of credit actually maintained in the corresponding two-month period of 1964 *in the case of such credit to all parties.*

(3) **Additional level of credit:** *may*, in addition to the level of credit permitted under sub-clause (2) above, maintain in each two-month period commencing from July-August 1965, a further level of credit against the security of groundnuts extended to any integral oil expeller mill not exceeding 25 per cent of the f.o.b. value of the de-oiled or de-fatted groundnut cake actually exported by it in the corresponding two-month period of 1964.

**II. Other oilseeds (excluding cottonseeds) Margin:** *shall* maintain in respect of each credit limit against the security of 'other oilseeds' whether granted before or after the date of receipt of this directive, a margin which shall not be less than 50 per cent of the value of the relative stocks.

**III. Exemptions:** (1) The provisions relating to margin in clause I(1) and clause II above do not apply to credit limits in favour of (a) vanaspati manufacturers and (b) exporters of 'other oilseeds'.

(2) The provisions relating to margin and restrictions on credit in clauses I and II above do not apply to credit against the pledge of warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations.

**IV. Definitions :** For the purpose of this directive—

(i) 'Average Aggregate Level of Credit' means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the returns in Forms 7A and 7B are to be furnished, namely, the second and fourth Friday, when there

are four Fridays in a month or the third and fifth Friday when there are five Fridays in a month ;

- (ii) 'Credit' or 'Credit Limit' includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills drawn in connection with the movement of groundnuts and 'other Oilseeds.';
- (iii) 'Other Oilseeds' means all oilseeds other than groundnuts and cottonseeds ;
- (iv) 'Two-month period' means the successive two-months commencing from July-August 1965.

**V. Composite Advances :** Where credit limits have been sanctioned against the security of groundnuts, other oilseeds and any other type of security (*i.e.* composite credit limits), the credit limits against (a) groundnuts and (b) other oilseeds, shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

## 21. DBOD. No. Cre. 284/C. 218(H)-65—August 5, 1965

### Advances against "Other Oilseeds" (Oilseeds other than groundnuts and cottonseeds)

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, and in partial modification of the directive DBOD. No. Cre. 250/C. 218(H)-65 dated July 21, 1965, the Reserve Bank of India hereby directs that every scheduled bank—

**I. Margin:** (1) *shall* maintain in respect of each credit limit against the security of "other oilseeds" (other than groundnuts and cottonseeds), a margin which shall not be less than 50 per cent of the value of the relative stocks ;

(2) **Average aggregate level of credit-ceilings:** *shall* maintain an average aggregate level of credit against the security of "other oilseeds," during each two-month period commencing from August-September 1965, not exceeding 90 per cent of the average aggregate level of credit actually maintained in the corresponding two-month period of 1964.

**II. Exemptions :** The provisions relating to margin and restrictions on credit in Clause I(1) and I(2) above shall not apply to credit limits in favour of exporters of "other oilseeds" and to credit against the pledge of warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations.

**III. Definitions:** For the purpose of this directive—

- (i) "Average Aggregate Level of Credit" means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in Forms 7A and 7B is to be furnished, namely, the second and fourth Friday, when there are four Fridays in a month or the third and fifth Friday when there are five Fridays in a month;
- (ii) 'Credit' or 'Credit Limit' includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills drawn in connection with the movement of 'Other Oilseeds'.
- (iii) 'Other Oilseeds' means all oilseeds other than groundnuts and cottonseeds ;
- (iv) 'Two-month period' means the successive two-months commencing from August-September 1965.



**IV. Composite Advances:** Where credit limits have been sanctioned against the security of other oilseeds and any other type of security (*i.e.* composite credit limits), the credit limits against 'other oilseeds' shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**22. DBOD. No. Cre. 657/C.218(H)-65—December 13, 1965—All Scheduled Banks**

**Advances against "Other Oilseeds" (Oilseeds other than groundnuts and cottonseeds)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby directs that the directive Ref. DBOD. No. Cre. 284/C. 218(H)-65 dated August 5, 1965 shall be amended in the following manner :—

In sub-clause (2) of Clause I, for the words and figures "corresponding two-month period of 1964," the words, figures and brackets "corresponding two-month periods during the year 1964-65 (from August 1964 to July 1965)", shall be substituted.

**23. DBOD. No. Cre. 282/C. 218(H)-65—August 5, 1965**

**Advances against Vegetable Oils (including vanaspati)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, and in supersession of the directive DBO. No. Cre. 8402/C. 218(H)-64 dated July 7, 1964 as amended by the directive DBO. No. Cre. 164/C. 218(H)-64 dated December 31, 1964, the Reserve Bank of India hereby directs that every scheduled bank—

**I. Margin:** *shall* maintain in respect of each credit limit against the security of vegetable oils (including vanaspati), whether granted before or after the date of receipt of this directive, a margin which shall not be less than 60 per cent of the value of the relative stocks.

Provided that in respect of credit limits granted to *vanaspati* manufacturers, the margin maintained shall not be less than 50 per cent of the value of the relative stocks :

Provided further that in respect of credit limits granted to persons other than *vanaspati* manufacturers, the increase in the margin from 50 per cent to 60 per cent shall be made effective not later than the 20th August 1965.

**(2) Average aggregate level of credit-ceilings :** *shall* maintain an average aggregate level of credit against the security of vegetable oils (including vanaspati), during each two-month period commencing from August-September 1965, not exceeding 90 per cent of the average aggregate level of credit actually maintained in the corresponding two-month period of 1964.

**II. Exemptions :** (1) The provisions relating to *margin* in clause (1) above do not apply to credit limits granted (a) to *vanaspati* manufacturers against soyabean oil and cottonseed oil imported under the P. L. 480 Agreement and (b) against stocks of indigenous cottonseed oil.

(2) The provisions relating to restrictions on credit in clause I(2) above do not apply to credit limits granted to *vanaspati* manufacturers against the stocks of soyabean oil and cottonseed oil imported under the P. L. 480 Agreement, subject to verification by the bank of necessary documents in this respect.

**III. Definitions:** For the purpose of this directive—

(i) 'Average Aggregate Level of Credit' means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in Forms 7A and 7B is to be furnished, namely, the second and fourth Friday, when there are four Fridays in a month or the third and fifth Friday when there are five Fridays in a month ;

(ii) 'Credit' or 'Credit Limit' includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills drawn in connection with the movement of vegetable oils (including vanaspati);

(iii) 'Two-month period' means the successive two-months commencing from August-September 1965.

**IV. Composite Advances:** Where credit limits have been sanctioned against the security of vegetable oils (including vanaspati), and any other type of security (*i.e.* composite credit limits), the credit limits against vegetable oils (including vanaspati) shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**24. DBOD. No. Cre. 379/C. 218(H)-65—September 20, 1965—All Scheduled Banks**

**Advances against Vegetable Oils (including vanaspati)**

Please refer to our directive Ref. DBOD. No. Cre. 282/C. 218(H)-65 dated the 5th August 1965 on the above subject.

2. On a reconsideration of the matter, it has been decided that the restriction as to margin and credit limits should be relaxed in respect of credits against stocks of vanaspati held by vanaspati manufacturers pending delivery to the Army Purchase Organisation, Ministry of Food and Agriculture, Government of India, under contracts with the Organisation.

**25. DBOD. No. Cre. 380/C. 218(H)-65—September 20, 1965**

**Advances against Vegetable Oils (including vanaspati)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby directs that in the directive Ref. DBOD. No. Cre. 282/C. 218(H)-65 dated August 5, 1965, the following shall be inserted as sub-clause (3) of Clause II :

“(3) The provisions in clauses I(1) and I(2) above relating to margin and to restrictions on credit do not apply to credit limits or credits against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi, in pursuance of contracts entered into or to be entered into with the said organisation by such manufacturers.

**26. DBOD. No. Cre. 656/C. 218(H)-65—December 13, 1965—All Scheduled Banks**

**Advances against Vegetable Oils (including vanaspati)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby

directs that the directive DBOD. No. Cre. 282/C. 218(H)-65 dated August 5, 1965, as amended by directive DBOD. No. Cre. 380/C. 218(H)-65 dated September 20, 1965, shall be amended in the following manner :—

In sub-clause (2) of clause I, for the words and figures “corresponding two-month period of 1964,” the words figures and brackets “corresponding two-month period during the year 1964-65 (from August 1964 to July 1965)”, shall be substituted.

**27. DBOD. No. Cre. 283/C. 218 (F)-65—August 5, 1965**

**Advances against Cotton and Kapas**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that every scheduled bank shall maintain, in respect of each credit limit against the security of Cotton and Kapas, given to parties *other than cotton mills*, whether granted before or after the date of receipt of this directive, a minimum margin which shall not be less than 50 per cent of the value of the relative stocks, provided, however, that in respect of such credit limits granted before the date of receipt of this directive, the minimum margin of 50 per cent shall be made effective not later than the 20th August 1965.

**Explanation :—**‘credit limit’ includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills drawn in connection with the movement of Cotton and Kapas.

**28. DBOD. No. Cre. 303/C. 218(F)-65—August 16, 1965**

**Advances against Cotton and Kapas**

Please refer to our Directive Ref. DBOD. No. Cre. 283/C. 218(F)-65 dated August 5, 1965.

2. The Bank has received several representations that the period given for implementing the increased margin requirements, viz., up to August 20, 1965, does not afford sufficient time for adjustment. The Bank has, on a reconsideration of the matter, decided to extend the date by which the banks have been asked to maintain the minimum margin of 50 per cent in respect of credit limits granted before the date of receipt of the earlier directive, from August 20, 1965 to September 20, 1965, subject to the condition that the margin should not be less than 35 per cent by September 6, 1965.

3. The minimum margin in respect of credit limits granted with effect from the date of receipt of the earlier directive, will, however, continue to be not less than 50 per cent of the value of the relative stocks as indicated in the directive of August 5, 1965.

**29. DBOD. No. Cre. 304/C. 218(F)-65—August 16, 1965**

**Advances against Cotton and Kapas**

In exercise of the powers conferred by section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that in the directive Ref. DBOD. No. Cre. 283/C. 218(F)-65 dated August 5, 1965 on advances against Cotton and Kapas, for the words “provided however, that in respect of such credit limits granted

before the date of the receipt of this directive, the minimum margin of 50 per cent shall be made effective not later than the 20th August 1965", the following shall be substituted :

"Provided that in respect of such credit limits granted before the date of receipt of this directive, the minimum margin of 50 per cent shall be made effective not later than the 20th August 1965 :

Provided also that, in the case of a scheduled bank, which, in respect of credit limit granted before the date of receipt of this directive, maintains as from the 6th September 1965 a minimum margin of 35 per cent, the date referred to in the first proviso shall be read as the 20th September 1965."

### **30. DBOD. No. Cre. 360/C. 218(F)-65—September 4, 1965—All Scheduled Banks**

#### **Advances against Cotton and Kapas**

Please refer to our Circular letter Ref. DBOD. No. Cre. 303/C. 218(F)-65 dated August 16, 1965, enclosing the directive Ref. DBOD. No. Cre. 304/C. 218(F)-65 of the same date on advances against cotton and kapas.

2. On a reconsideration of the matter, it has been decided that advances made to importers against the security of shipping documents covering imports of cotton and/or the relative stocks of cotton may be exempted from the purview of the minimum margin of 50 per cent, during the period from the date of the advance until the expiry of 30 days from the date of delivery of the relative shipping documents to the importers.

3. If, however, advances of the type as indicated above, continue to be outstanding even after the expiry of the exempted period, the minimum margin of 50 per cent will come into force immediately after the expiry of the exempted period.

### **31. DBOD. No. Cre. 361/C. 218(F)-65—September 4, 1965**

#### **Advances against Cotton and Kapas**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that in the directive Ref. DBOD. No. Cre. 283/C. 218(F)-65 dated August 5, 1965, on advances against cotton and kapas, as amended by the directive Ref. DBOD. No. Cre. 304/C. 218(F)-65 dated August 16, 1965, the following shall be inserted as the third proviso :

"Provided, further, that advances made to importers against the security of shipping documents, covering imports of cotton, and/or the relative stocks of cotton shall be exempted from the purview of this directive during the period from the date of the advance until the expiry of a period not exceeding 30 days from the date of delivery of the relative documents to the importers."

### **32. DBOD. No. Cre. 373/C. 218(F)-65—September 17, 1965—All Scheduled Banks**

#### **Advances against Cotton and Kapas**

Please refer to our Circular letter Ref. DBOD. No. Cre. 360/C. 218(F)-65 dated September 4, 1965, enclosing the directive Ref. DBOD. No. Cre. 361/C. 218(F)-65 of the same date regarding advances against cotton and kapas.

2. On a further consideration of the matter, it has been decided that, in cases where the margin has been maintained at not less than 35 per cent from the 6th September 1965, the period for bringing up the margin to 50 per cent should be extended to the 15th October 1965.

**33. DBOD. No. Cre. 374/C. 218(F)-65—September 17, 1965**

**Advances against Cotton and Kapas**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby directs that in the directives Ref. DBOD. No. Cre. 283/C. 218(F)-65 dated August 5, 1965, on advances against cotton and kapas, as amended by the directives Ref. DBOD. No. Cre. 304/C. 218(F)-65 dated August 16, 1965 and DBOD. No. Cre. 361/C. 218(F)-65 dated September 4, 1965, for the words and figures "20th September 1965" in the second proviso therein, the words and figures "15th October 1965" shall be substituted.

**34. DBOD. No. Cre. 464/C. 218(F)-65—October 13, 1965—All Scheduled Banks**

**Advances against Cotton and Kapas**

Please refer to our directive Ref. No. DBOD. Cre. 283/C. 218(F)-65 dated August 5, 1965 as amended by the directives of August 16, 1965, September 4, 1965, and September 17, 1965 on the above subject.

2. With a view to facilitating the marketing of the new crop. *i. e.* cotton and kapas harvested during the 1965-66 cotton season, it has been decided that the restrictions as to the minimum margin against advances be relaxed for the time being in respect of stocks of such cotton and kapas. The minimum margin as prescribed in the directives referred to above, will, however, continue to apply to credit limits against stocks of cotton and kapas of the old crop cotton (of the 1964-65 cotton season).

3. While the exemption from the minimum margin in respect of credit limits against the new crop cotton will assist genuine trading and marketing activities in the current cotton season, it is necessary to ensure that aggregate advances made against all types of cotton—whether from the old crop or from the new one—do not rise to unduly high levels during the current busy season. The banks are, therefore, requested to see that the levels of advances against cotton and kapas at different stages in the 1965-66 cotton season are phased on the same pattern as in the 1964-65 season. It may be noted that the exemption from margin control in respect of advances against the new crop cotton and kapas is given until further notice. In this connection it may be stated that the Bank will keep a constant watch over the situation as it develops and the concession is likely to be withdrawn if it is found that it has resulted in an abnormal rise in aggregate advances against cotton and kapas.

**35. DBOD. No. Cre. 465/C. 218(F)-65—October 13, 1965**

**Advances against Cotton and Kapas**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that :

Nothing contained in the directive DBOD. No. Cre. 283/C. 218(F)-65 dated August 5, 1965, as amended by directives DBOD. Nos. Cre. 304/C. 218(F)-65 dated August 16, 1965, Cre. 361/C. 218(F)-65 dated September 4, 1965 and Cre. 374/C. 218(F)-65 dated September 17, 1965 shall apply to the credit limits given against the security of cotton and kapas of the 1965-66 cotton crop after the necessary verification by the bank of the relevant documents in this respect.

### 36. DBOD. No. B.M. 256/C. 279A-65—October 1, 1965—All Eligible Scheduled Banks

#### Scheme of Special Credit Limits for Cotton Textile Mills

The Reserve Bank has received several representations from the Cotton textile industry with respect to the difficulties of securing adequate finance against the recent accumulation of cotton textile stocks, a problem which has been aggravated by the disruption in the supply system due to transport bottlenecks and other factors consequent on the recent emergency. On a consideration of the representations and on a review of the situation with regard to banks' resources position, the Reserve Bank has decided, as a temporary measure, to introduce, with immediate effect, a scheme of accommodation to the banks under the Bill Market Scheme for facilitating their assistance to such cotton textile units as face a problem of stock accumulation temporarily due to the emergency. The Bank under a scheme of special limits under the Bill Market Scheme is willing to refinance the banks to a limited extent at the Bank Rate in respect of the increases in their advances against baled stocks of cotton textiles and/or free yarn to textile mills.

2. (a) The special limits will be given for baled stocks of cloth and/or free yarn in respect of only those mills which have fully utilised the credit limits granted by the bank and in force on October 1, 1965 ; where a limit is granted by a bank on a composite basis (*i.e.* against cotton, cloth and free yarn and other assets) the proportion or such limit applicable to baled cloth and/or free yarn should be worked out on the basis of the distribution of the outstanding advances on 1st October 1965 as between cotton, baled cloth and free yarn and other assets.
  - (b) The special limit shall not exceed the value of two weeks' production of baled cloth and/or free yarn.
  - (c) No special limit will be granted after October 31, 1965.
3. Bills of cotton textile mills will be accepted against special limits subject to the following conditions :
- (a) On the date on which the bills are lodged, the stocks of baled cloth and/or free yarn pledged or hypothecated to the bank should be not less than the production of four weeks and three weeks respectively, or not less than the stocks of baled cloth and/or free yarn pledged or hypothecated to the bank on September 1, 1965, whichever is higher. (For expressing stocks in terms of production, the average weekly production of baled cloth and/or free yarn during the period January to June 1965, shall be taken into account).
  - (b) The bills to be lodged in respect of special limits shall have a maturity of not more than 90 days but in any case not extending beyond December 31, 1965.
4. The special limit will be allowed to be utilised by the banks only if the conditions in paragraphs 2 and 3 continue to be fulfilled and only to the extent that a bank makes additional credit available to the mill concerned.
5. Bills lodged by the banks will have to be retired in any case as soon as the stocks pledged/hypothecated with the bank fall below the limits specified in paragraphs 2(b) and/or 3(a).
6. In respect of those mills which as on October 1, 1965 had not fully utilised their existing credit limits, special limits may be granted subject to conditions in paragraphs 2(b) and/or 3(a).



**37. DBOD. No. Sch. 909/C. 96-65.—June 29, 1965—All Scheduled Banks****GOVERNOR'S LETTER****Advance Import Deposits**

The Reserve Bank of India has issued a separate notification under the FERA, 1947, requiring with effect from 1st July 1965 the maintenance by importers as advance deposits with banks a sum equivalent to 25 per cent of the value of goods shipped for imports. Advance deposits so maintained are to be invested in Treasury bills of the Government of India to the full amount. They are, however, exempt from the provisions relating to the maintenance of statutory balances with the Reserve Bank (vide directive enclosed).

2. To ensure conformity with the intention of the notification on advance import deposits, banks are, in terms of another directive enclosed, required not to lend to importers against the security of the deposits to enable them to comply with advance deposit requirements. They are also being directed to keep their advances granted on an unsecured basis at a level no higher than on 25th June 1965. Suitable exemptions are being accorded to clean advances made against export usance bills on D/A terms.

3. The investment in Treasury bills of these advance deposits does not in any way reduce the urgency of banks continuing their efforts to increase the investment of the funds accruing to them in the slack season by way of return flow of credit or by way of usual seasonal increase in deposits, in Treasury bills and other Government securities. It will be recalled that at a meeting with representative bankers early in May this year I impressed upon them the concern of the Reserve Bank with the credit situation and the need for them to bring about an orderly contraction of credit and to increase substantially their investment in Treasury bills during the slack season. I would once again urge the necessity for the continuance of a tight rein on credit in the slack season and the Reserve Bank will watch the progress which banks make in increasing their holdings of Treasury bills and other Government securities in addition to the investments of the advance import deposits as an indication of the extent to which the banks are responding to the needs of the overall monetary situation.

**38. DBOD. No. Sch. 910/C. 96-65—June 29, 1965****Advance Import Deposits**

In exercise of the powers conferred by section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that—

(a) every bank shall pay on any deposit made with such bank in pursuance of clause (a) of paragraph 1 of the Reserve Bank's notification No. F.E.R.A. 232/65-RB dated the 29th June 1965 issued under the Foreign Exchange Regulation Act, 1947, interest at a rate of two per cent per annum ;

(b) all such deposits received by a bank shall be held by such bank in a special account and every such deposits shall, before the expiry of three working days from the receipt thereof, be invested by such bank in Treasury bills of the Government of India ;

(c) every such deposit shall be kept invested in treasury bills till such time as it becomes returnable in pursuance of clause (d) of paragraph 1 of the notification No. F.E.R.A. 232/65-RB dated the 29th June 1965 referred to above ;



(d) no bank shall make an advance against the security of any such deposit either with itself or with any other bank ;

(e) every bank shall secure that the aggregate of unsecured advances, granted by it whether by way of loans or otherwise, and outstanding as on the last day of each fortnight, shall not exceed the amount of such aggregate as on the 25th June 1965.

2. In this direction —

- (i) “bank” means the State Bank of India and every such banking company or banking institution notified under section 51, as is an authorised dealer as defined in clause (ai) of section 2 of the Foreign Exchange Regulation Act, 1947 ;
- (ii) “fortnight” means the period ending with the second or the fourth Friday of the month where there are four Fridays in a month and the third or the fifth Friday, where there are five Fridays in a month ; and
- (iii) “unsecured advances” does not include clean advances in respect of export usance bills drawn on documents against acceptance terms.

**39. DBOD. No. Sch. 1197/C. 96-65—August 4, 1965—All Scheduled Banks**

**Our directive dated the 29th June 1965**

Please refer to our directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965 enclosed with Governor’s circular letter DBOD. No. Sch. 909/C. 96-65 of even date. In partial modification of clause (iii) of paragraph 2 thereof, we now forward a copy of our directive DBOD. No. Sch. 1198/C. 96-65 dated the 4th August 1965.

**40. DBOD. No. Sch. 1198/C 96-65—August 4, 1965**

In exercise of the powers conferred by Section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that for clause (iii) of paragraph 2 of the Bank’s directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965, the following shall be substituted—

(iii) “Unsecured advances” does not include (a) clean advances in respect of export usance bills drawn on documents against acceptance terms ; (b) temporary overdrafts granted by banks in India to their overseas branches and foreign banks (including correspondent banks) in respect of exports and other transactions ; and (c) packing credits granted to exporters subject to the following conditions :—

- (1) a letter of credit being opened by the foreign buyer in favour of the local exporter and/or the bank being satisfied that a firm export contract has been entered into by the exporter ;
- (2) the exporter giving an undertaking to repay the packing credit by negotiation of the relative export bills ; and.
- (3) the credit being granted for a period not exceeding sixty days.

**41. DBOD. No. Sch. 1017/C. 96-65—July 16, 1965—All Scheduled Banks****Our directive dated the 29th June 1965**

Please refer to our directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965 enclosed with Governor's circular letter DBOD. No. Sch. 909/C. 96-65 of even date. In partial modification of clause (b) thereof, we now forward a copy of our directive DBOD. No. Sch. 1018/C. 96-65 dated the 16th July 1965.

**42. DBOD. No. Sch. 1018/C. 96-65—July 16, 1965**

In exercise of the powers conferred by section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that for clause (b) of paragraph 1 of the Bank's directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965, the following shall be substituted—

“(b) all such deposits received by a bank shall be held by such bank in a special account at the investing office of the bank and shall be invested by such bank in Treasury bills of the Government of India before the expiry of three working days from the receipt of the deposit by the investing office, whether directly from the person making the deposit or from any other office of the bank with which the deposit was made, and, where the deposit was made with such other office, before the expiry of seven working days from the making of such deposit.

**Explanation :** “investing office” means, in the case of a scheduled bank, its principal office as defined in clause (d) of Regulation 2 of the Reserve Bank of India Scheduled Bank's Regulations, 1951 ; and in the case of any other bank, such office as the bank shall, in this behalf, declare to the Reserve Bank.”

**43. DBOD. No. Sch. 911/C. 96-65—June 29, 1965****Advance Import Deposits**

In exercise of the powers conferred by sub-section (7) of section 42 of the Reserve Bank of India Act, 1934, the Bank hereby directs that the provisions of sub-section (1) shall not apply to any scheduled bank, in so far as the said sub-section requires a scheduled bank to maintain an average daily balance with reference to the liability represented by deposits made with such bank in pursuance of clause (a) of paragraph 1 of the Bank's notification FERA. No. 232/65-RB dated the June 1965 issued under the Foreign Exchange Regulation Act, 1947.

**44. DBOD. No. Sch. 965/C. 96-65—July 9, 1965—All Scheduled Banks****Unsecured Advances**

Please refer to Governor's circular letter DBOD. No. Sch. 909/C. 96-65 dated the 29th June 1965. In furtherance of our directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965 enclosed therewith, we now forward a copy of our directive DBOD. No. Sch. 966/C. 96-65 dated the 9th July 1965.

**45. DBOD. No. Sch. 966/C. 96-65—July 9, 1965**

In exercise of the powers conferred by section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that

the directions contained in clauses (d) and (e) of paragraph 1 of the Bank's directive DBOD. No. Sch. 910/C. 96-65 dated the 29th June 1965 shall extend also to

- (a) every scheduled bank, and
- (b) every banking institution notified under Section 51,

which is not an authorised dealer as defined in clause (ai) of Section 2 of the Foreign Exchange Regulation Act, 1947.

#### **46. A.D. Circular No. 15—July 12, 1965—All Authorised Dealers in Foreign Exchange**

##### **Payment for Imports—Deposit Requirements**

In view of the large number of representations received from importers as well as authorised dealers regarding deposits to be made against imports in terms of the Bank's Notification No. FERA. 232/65-RB dated the 29th June 1965 and A.D. Circular No. 14 of the same date, the following clarifications and instructions are issued for the guidance of authorised dealers in foreign exchange.

(i) The order covers all imports made by Government of India undertakings also.

(ii) The order also applies to all imports effected by any importer against a licence issued to him, even though the goods imported are for supply to a Government Department.

2. In pursuance of clause 2(g) of the Reserve Bank of India Notification No. FERA. 232/65-RB dated the 29th June 1965, the Reserve Bank of India has directed that the provisions of the said Notification shall not apply to the following types of imports and no deposits would therefore be required to be made in such cases :

(i) Capital goods imported under licences issued on approved deferred payment terms.

(ii) Capital goods paid for out of share subscriptions made in cash by foreign collaborators as approved by the Government of India and retained abroad with the permission of the Reserve Bank of India for the specific purpose of making payment for the goods to be imported.

(iii) Capital goods imported against issue of shares to foreign collaborators as approved by the Government of India and the Reserve Bank of India.

(iv) Goods imported under licences stipulating payment out of foreign exchange loans granted by foreign Governments, foreign collaborators or foreign or Indian institutions or any other persons and paid for by the letter of commitment procedure, or by any other procedure approved by the Reserve Bank and providing in either case for direct payment to the supplier from out of the proceeds of such foreign exchange loan.

(v) Cotton, cotton seed oil, soya bean oil and mutton tallow imported and paid for under P.L. 480 arrangements.

(vi) Any goods for which an import licence is not required.

3. Authorised dealers are requested to bring the contents of this circular to the notice of their constituents who import goods.

**47. DBOD. No. Sch. 1498/C. 96-65—September 9, 1965—All Scheduled Banks****Unsecured Advances**

Please refer to our letter DBOD. No. Sch. 909/C. 96-65 dated June 29, 1965 and our directive DBOD. No. Sch. 910/C. 96-65 of the same date. This directive has been reviewed in the light of the present situation and it has been decided to withdraw the provisions of the directive relating to unsecured advances. As a result, banks will be able to meet priority demands for unsecured advances. The revised directive is enclosed.

We should like to draw the attention of the banks to the present emergency and impress upon them that in granting unsecured advances the banks should exercise the utmost care to ensure that such action does not defeat the objectives of the selective credit controls imposed by the Reserve Bank of India as part of its action to discourage speculative activities and to minimise the pressures on prices. They should endeavour to see that the maximum funds are made available for the production of goods for defence, essential civil consumption and exports and adjust their clean advances portfolio accordingly.

**48. DBOD. No. Sch. 1497/C. 96-65—September 9, 1965**

In exercise of the powers conferred by section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary in the public interest so to do, hereby directs that sub-paragraph (e) of paragraph 1, and sub-paragraphs (ii) and (iii) of paragraph 2, of its directive DBOD. No. Sch. 910/C. 96-65 dated June 29, 1965, as amended by the directive DBOD. No. Sch. 1198/C. 96-65 dated August 4, 1965 shall be deleted.

**49. DBOD. No. Sch. 1882/C. 96-65—November 20, 1965—All Scheduled Banks****GOVERNOR'S LETTER****Credit Policy for the Busy Season 1965-66**

The busy season has commenced and the usual pressure on the advances portfolio of banks will be felt soon. It is, however, necessary that in view of the additional demands that might be placed on the economy as a result of the present emergency, the expansion in bank credit should continue to be regulated. An increase in aggregate demand pressures as a result of a large expansion in bank credit at a rate markedly higher than the availability of real goods and services is likely to affect price stability. The importance of price stability is particularly clear in the light of the most recent estimates regarding the agricultural outturn this season.

2. It is also clear that in view of the inadequate credit contraction during the slack season just ended, the banking system is not in a position to undertake on the basis of its own resources a credit expansion of the order needed even to meet the genuine seasonal demand. The banking system has started the current busy season on an expanded credit base which is reflected in a credit-deposit ratio of no less than 71.8 per cent which by any reckoning must be regarded as a high ratio at the commencement of the busy season. While a major objective of credit policy for the current busy season must remain the preservation of reasonable balance between aggregate monetary flows and the availability of real goods and services, policy, in the present emergency, must also take into account the enhanced needs of defence production, exports as well as Government's programme of procurement, storage and distribution of foodgrains. After a careful review of the situation, the Reserve Bank has decided to adopt the following measures which, within the framework of the existing pattern of credit control, would ensure the flow of funds in the busy season to the sectors to which priority is to be accorded in the matter of credit availability and at the same time keep in check the availability of funds to meet other demands on the banking system.

3. It has been decided that the Bill Market Scheme will be restarted with immediate effect for the current season. As on the last occasion, it will be terminated on June 30, 1966, and all borrowings under the Bill Market Scheme will have to be repaid by that date. Banks will thus be able to borrow from the Reserve Bank of India against bills as in the past.

4. The procedure for operating on the Bill Market Scheme is being modified to enable banks to obtain refinance under section 17(4)(c) of the Reserve Bank of India Act at the Bank Rate in respect of the credit they will extend to the following sectors, namely, (a) defence supply advances, (b) advances in respect of packing credits fulfilling certain conditions, and (c) advances made to State Governments/their agencies/Food Corporation of India for purposes of food procurement/storage/distribution. The existing Rupee Export Bill Scheme will also continue as at present. A separate communication is being addressed to you regarding the detailed manner in which it is proposed to operate the new schemes of refinance referred to.

5. The rate for all other accommodation to scheduled banks will be governed by the net liquidity ratio as at present. But in computing the net liquidity ratio all refinance from the Reserve Bank as well as from the Industrial Development Bank will be taken into account. Also while the minimum net liquidity ratio will remain at 30 per cent, the rate of escalation in the interest rate is being stepped up from the  $\frac{1}{2}$  per cent now being charged for decline of every one percentage point or fraction thereof below the minimum net liquidity ratio to 1 per cent for decline of every one percentage point or fraction thereof below the minimum net liquidity ratio.

6. The facilities now introduced are expected to make available to scheduled banks funds from the Reserve Bank at the Bank rate to meet demands from the priority sectors for which they would have had to pay a much higher rate otherwise in view of the low net liquidity position of the scheduled banks at the commencement of the busy season. At the same time, it remains imperative to exercise an overall restraint on credit and especially on credit to less essential sectors and the changes introduced will have the effect of making other borrowings from the Reserve Bank costlier.

7. Further, in order that the growth of bank credit may be more closely aligned to the requirements of the Plan and as an additional measure of credit regulation, scheduled banks will be required to obtain the Reserve Bank's prior authorisation before sanctioning any fresh credit limit (including commercial bill discounts) of Rs. 1 crore or more to any single party or any limit that would take the total limit enjoyed by such party from the entire banking system to Rs. 1 crore or more on secured and/or unsecured basis. As regards existing credit limits, such prior authorisation will be required where credit limits of Rs. 1 crore or more are increased above their present levels or if any of the existing limits are so increased as to raise the total limits from the banking system to Rs. 1 crore or more.

8. Finally, I may assure you that in the operation of credit policy, the Reserve Bank will continue to lay emphasis on flexibility. Should it appear at any stage that genuine difficulties are being experienced by any enterprises engaged in essential activities in obtaining adequate bank finance, the Reserve Bank will be willing to consider such cases on merits to make such finance available. Conversely if there is evidence that bank credit is rising at rates faster than warranted by the economy's needs the Reserve Bank will have to take appropriate steps to meet the situation.

**50. DBOD. No. Sch. 1883/C. 96-65—November 20, 1965—All Eligible Scheduled Banks**

Please refer to the Governor's letter DBOD. No. Sch. 1882/C. 96-65 of even date in which reference has been made to the provision of refinance by the Reserve Bank at the Bank rate in respect of certain special sectors. This letter sets out the details in this regard.

(a) **Defence Supply Advances :** Scheduled banks will be able to obtain refinance in respect of defence supply advances within the broad framework of the Bill Market Scheme. A contractor/manufacturer obtaining a defence order either from D. G. S. & D/Ministry of Defence/Army Purchase Organisation may execute (as under the present Bill Market Scheme) a usance promissory note specifically for this purpose in favour of the scheduled bank supported by the necessary documentation indicating his claims on Government for goods supplied for defence requirements. This documentation should include the 'Acceptance of Tender' note, the Bill Form and the Inspection Note covering the certification of inspection. The scheduled bank in turn wishing to refinance the advance made in respect of a defence order supported by the above documentation should certify to the Reserve Bank that it has in fact advanced the specified sum of money for the purpose of executing the defence contract against bills taken in for collection or otherwise, that it holds the abovementioned documents upto the value indicated and that it has secured from its constituent a Power of Attorney to enable it to collect from the Government the amount stated in the contract/order. The bank might, to protect itself, also secure a letter of pledge/hypothecation from the constituent in terms of which if any payment is received direct by the constituent he is to deposit the money in the bank or alternately hold it in trust for the bank. The bank in turn may apply to the Reserve Bank for the sanction of bill limits in respect of defence supply advances. It would have to execute as under the Bill Market Scheme a demand promissory note in favour of the Reserve Bank of India specifically for this purpose and obtain advances under Section 17(4) (c) of the Reserve Bank of India Act. The Reserve Bank may satisfy itself that the transaction represents a genuine defence contract through a scrutiny of the documentation relevant to the advance. The refinance of defence supply advances will be limited to bills with a tenor of not more than 90 days. Refinance in respect of such defence supply advances will also be at the Bank rate and without any limit. Such refinance will however be included as part of the total borrowings of a scheduled bank from the Reserve Bank in computing the net liquidity ratio of the scheduled bank.

(b) **Packing Credit Advances :** With regard to packing credits, refinance at the Bank rate will be provided to any scheduled bank only where (i) they are granted in connection with bona fide export transactions as evidenced by a firm export order or a letter of credit, (ii) they have a maturity of not more than 60 days and (iii) they are extinguished only by negotiation of the relative export bills. Scheduled banks will be able to obtain refinance under the Scheme within the broad framework of the Bill Market Scheme. A borrower would therefore be required to convert cash credit/overdraft account into a bill account by execution of a usance promissory note in favour of the scheduled bank specifically for this purpose which the bank will submit to the Reserve Bank in support of the demand promissory note to be executed by it in favour of the Reserve Bank specifically for this purpose. The scheduled bank should also certify to the Reserve Bank that it has in fact made advances for financing packing credits of the type mentioned above and upto the amounts specified in the relative applications for drawing on the limit sanctioned to it. Refinance in respect of such packing credit advances will also be at the Bank rate and without any limit. Such refinance will, however, be included as part of the total borrowings of a scheduled bank from the Reserve Bank in computing the net liquidity ratio of the scheduled bank.

(c) **Food Procurement Advances :** Refinance will be available to scheduled banks extending credit for procurement/buffer stock/distribution operations of the State Governments/agencies of State Governments/ Food Corporation of India. Such refinance will be limited only to cases where the accommodation has been granted by the banks against the pledge/hypothecation of foodgrains. Refinance under this scheme could also be availed of by scheduled banks in terms of the procedures obtaining under the Bill Market Scheme. The borrower would execute a usance promissory note which the bank will submit to the Reserve Bank in support of the demand promissory note to be executed by it in favour of the Reserve Bank specifically for this purpose. This scheme of refinance will be in respect of the entire outstanding amount at any time in respect of foodgrain advances of the type mentioned above and will be at the Bank rate. Such refinance will, however, be included as part of the total borrowings of a scheduled bank from the Reserve Bank for purposes of computing the net liquidity ratio of the concerned scheduled bank.

2. In operating these schemes, the Reserve Bank will continue to examine individual applications to satisfy itself that the bills bear two good signatures as under Bill Market Scheme.

**51. DBOD. No. Sch. 2028/46A-65—December 21, 1965—All Scheduled Banks**

**Liberalisation of Remittance Facilities**

In pursuance of the proposals made at the Indian Bankers' Seminar, it has been decided that the remittance facilities now available to the Scheduled Banks in terms of paragraph 4 of the Reserve Bank of India Remittance Facilities Scheme Booklet should be liberalised. Accordingly, the relevant provisions of the Booklet have been amended as under. The amendments will come into force with effect from the 1st January 1966.

*Paragraph 4(c) (i)*

An amount of Rs. 20,000/- (minimum) or in multiples of Rs. 5,000/- in excess thereof between its accounts at the offices of the Reserve Bank, free of charge.

*Paragraph 4(c) (ii)*

Four times a week, free of charge, an amount of Rs. 10,000/- (minimum) or in multiples of Rs. 5,000/- in excess thereof on each occasion :

(a) from any place at which there is an agency of the Bank to any account which it maintains with the Bank, such remittances being permitted to each of its offices, branches, sub-offices or pay offices ; and

(b) from any account which it maintains with the Bank to any place at which there is an agency of the Bank and it has its office or branch.

*Note:* — For purposes of this clause the term 'week' means the period commencing from a Saturday and ending with the succeeding Friday.

2. We shall be glad if you will kindly extend maximum co-operation to the Bank's agencies and sub-agencies by adhering to the following procedure :

(1) To sort out tenders into issuable and non-issuable notes and to present them in properly stiched bundles, sufficiently early in the day.

(2) To conform strictly to the arrangements, if any, made by branches of State Bank of India or their subsidiaries for receiving such remittances on specified days in a week to avoid disproportionate increase in the work-load on them.

(3) To refrain from making remittances on Saturdays in view of the restricted hours of business on these days except by tendering notes of the denomination of Rs. 100/- or above.

3. Receipt of this circular may please be acknowledged to the office of the Reserve Bank of India at which your principal account is maintained and enquiries, if any, may be addressed to that office.

**52. DBOD. No. Leg. 251/C. 233A-65—July 28, 1965—All Banking Companies****The Banking Companies Rules, 1949 and the Forms prescribed thereunder**

We enclose for your information a copy of notification No. G. S. R. 921 dated the 3rd July 1965 issued by the Central Government in terms of sub-sections (1) and (2) of section 52 of the Banking Companies Act, 1949, amending rules 2(e), 2A, 13 and 15A of the Banking Companies Rules, 1949 and Forms III, IV, IX, X, XI, XII and XIII prescribed thereunder. The amendments have come into force on the 3rd July 1965, the date on which the notification was published in the Gazette of India. Most of the amendments to the rules are consequential to the amendments to the Forms. However, we would like to draw your attention to the following points :

(i) The amendments to Forms III and X are of a minor nature and are consequential to the taking over of the Refinance Corporation for Industry Ltd. by the Industrial Development Bank of India. Borrowings from the latter institution will continue to be excluded from demand and time liabilities shown in these returns as it is a 'notified bank' in terms of the relevant footnotes to these Forms.

(ii) The amendments to Forms IV and XII have become necessary as a result of the amendments to sections 20 and 26 respectively of the Banking Companies Act, 1949 which came into force on the 1st February 1964. In the revised Form XII which has since been renumbered as XI, banks are not required to give particulars of deposits standing to the credit of *each* inoperative account. In this connection, a reference is invited to our circular letter DBO. No. Leg. 29/C. 273-64 dated the 14th October 1964. In the amended Form IV, banking companies are required to give information also regarding the limits sanctioned and the purpose of advance.

(iii) Forms IX and XIII have been amended with a view to simplifying the Form and minimising the number of returns submitted by banks under the Banking Companies Act. It will be observed that in the revised Form IX (read with amended rule (13) particulars of *all* the offices of a banking company are not required to be given each quarter but are to be furnished only in the return relating to the quarter ended 31st December. The definition of the term 'place of business' given in rule 2(e) of the Rules, has also been amended so as to make it clear that the term includes any place at which a banking company may transact any form of business referred to in section 6(1) of the Banking Companies Act.

Form XI has been eliminated and its features have been combined with Form XIII, which is now renumbered as XII. Most of the information required under Part II of this Form is at present being given by banking companies by way of foot-notes to the existing Form XIII. The returns in Form XII for the months of March and September should be submitted *in duplicate* and those for the months of June and December *in triplicate* each year. It should be ensured that the figure of the total liabilities shown in Part II of the return agrees with that against item A7 in Part I ; items 1(a) and (c) in Part II together agree with the total of items A 4(a) (ii) and (b) and A 5(a) (ii), (b) and (d) in Part I ; item 1(b) in Part II agrees with the total of items A 4(a) (i) and A 5(a) (i) in Part I ; item 2 in Part II agrees with the total of items A 4(c) and A 5(c) in Part I ; and item 3 in Part II agrees with the total of A 4(d), A 5(e) and A6 in Part I. An explanatory note to item 2 in Part II of the return viz. 'Borrowings from banks', should also be given indicating separately the amounts against your bank's deposit receipts included under the above head that are in the nature of borrowings from (i) banking companies, State Bank of India and notified banks and (ii) other banks such as co-operative banks etc.

2. The returns relating to the month/quarter ended June 1965 may be submitted in the existing Forms, while those relating to the subsequent periods may be submitted as in the amended Forms.



## Government of India Ministry of Finance (Department of Economic Affairs)

New Delhi, the 3rd July 1965.

G.S.R. 921—In exercise of the powers conferred by subsections (1) and (2) of section 52 of the Banking Companies Act, 1949 (10 of 1949), the Central Government after consultation with the Reserve Bank of India hereby makes the following rules further to amend the Banking Companies Rules, 1949, the same having been previously published as required by sub-section (3) of the said section, namely :-

1. These rules may be called the Banking Companies (Amendment) Rules, 1965.
2. In the Banking Companies Rules, 1949—
  - (i) in sub-rule (e) of rule 2, for the words “cheques cashed or moneys lent”; the words “cheques cashed, moneys lent or any other form of business referred to in sub-section (1) of section 6 of the Act is transacted”; shall be substituted ;
  - (ii) in rule 2A, for the figures “XIV”, the figures “XIII” shall be substituted ;
  - (iii) in rule 13, for the words and figures “list in Form IX of all its offices in India at which it was doing business during that quarter”, the words and figures “list relating to its offices in India in Form IX” shall be substituted ;
  - (iv) in rule 15A, for the word and figures “Form XIV” the word and figures “Form XIII” shall be substituted ;
  - (v) for the existing Form IV, the following Form shall be substituted, namely :-
  - (vi) in Form V, in foot note (1), for the word “Nagpur,” the word “Hyderabad” shall be substituted ;
  - (vii) in Form VI, in the foot note relating to item 8, for the words “cheques cashed or moneys lent.”, the words “cheques cashed, moneys lent or any other form of business referred to in sub-section (1) of section 6 of the Act is transacted.” shall be substituted ;
  - (viii) in Form VII,—
    - (a) in the foot note relating to item 8, for the words “cheques cashed or moneys lent.”, the words “cheques cashed, moneys lent or any other form of business referred to in sub-section (1) of section 6 of the Act is transacted.” shall be substituted ;
    - (b) in foot note (1), for the word “Nagpur”, the word “Hyderabad” shall be substituted ;
  - (ix) in Form VIII, —
    - (a) in foot note 1, for the words “cheques cashed or moneys lent.”, the words “cheques cashed, moneys lent or any other form of business referred to in sub-section (1) of section 6 of the Act is transacted.” shall be substituted ;
    - (b) in foot note 2, for the word “Nagpur”, the word “Hyderabad” shall be substituted ;
  - (x) for the existing Form IX, the following Form shall be substituted, namely :-

## THE BANKING COMPANIES ACT, 1949

## FORM IV

(Section 20)

Name of the banking company \_\_\_\_\_  
 Name and designation of the officer submitting the return \_\_\_\_\_

Statement for the month of \_\_\_\_\_ of unsecured loans and advances (including bills purchased and discounted) granted (in India) to companies in cases (other than those in which the banking company is prohibited under sub-section (1) of section 20 of the Banking Companies Act, 1949 to make unsecured loans and advances) in which any of its directors is interested as director or managing agent or guarantor. \* (To be submitted to the Reserve Bank before the close of the month succeeding that to which the return relates)

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Name of the director of the banking company who is interested.	Name of the company to which the advance has been made. (whether director, managing agent, guarantor, etc.)	Relation of the director of the banking company to the company to which the advance has been made. (whether director, managing agent, guarantor, etc.)	Limit sanctioned.	Date of advance.	Purpose of advance.	Date of repayment.	Amount outstanding on the last working day of the month.	Highest outstanding during the month.	Lowest outstanding during the month.	Rate of interest.	Nature of advance (whether loan, overdraft, cash credit, purchase or discount of bills, etc.)	Remarks
Total of column 8 ... ..												

Date \_\_\_\_\_ Signature \_\_\_\_\_

\* The statement should show all the loans and advances (including bills purchased and discounted) outstanding on the last working day of the month and also those granted during the month or previously and repaid during the month.

Note :— In case a banking company has no loans or advances to report, the fact may be reported in a letter.

## THE BANKING COMPANIES ACT, 1949

## FORM IX (See Rule 13)

## (Section 23)

(To be submitted within one month after the end of the quarter to which it relates).

Name of the banking company :

Name and designation of the officer submitting the return :

(a)@ Statement of offices\* in India as on the last day of the quarter ended :

Name of place where the banking company has an office (may be grouped Statewise and arranged Districtwise and in alphabetical order) }

(b) Statement of offices opened in India during the quarter ended }

Name of the place	District and State	Date of opening the office
(1)	(2)	(3)

(c) Statement of offices \* in India closed during the quarter ended }

Name of the place	District and State	Date of closing the office
(1)	(2)	(3)

Date :

Signature :

@Information under this head may be furnished only in the return as on the last day of the quarter ended December.

\* Includes the registered office and all places of business at which deposits are received, cheques cashed, moneys lent or any other form of business referred to in sub-section (1) of section 6 of the Act is transacted.

(xi) Form XI shall be omitted.

(xii) for the existing Forms XII and XIII, the following Forms shall be substituted, namely:—

## THE BANKING COMPANIES ACT, 1949

## Form XI

## (Section 26)

Name of the banking company \_\_\_\_\_

Name and designation of the officer submitting the return \_\_\_\_\_

Return of unclaimed deposit accounts in India which have not been operated upon for 10 years or more as on the date of the return.

As on the 31st December \_\_\_\_\_

(To be submitted to the Reserve Bank within thirty days after the close of each calendar year).

Particulars	Current Accounts			Savings Bank Accounts			Fixed Deposits			Other Deposits			Total
	No. of A/cs	Balance outstanding	Rs. P.	No. of A/cs	Balance outstanding	Rs. P.	No. of A/cs	Balance outstanding	Rs. P.	No. of A/cs	Balance outstanding	Rs. P.	

Balance brought forward from the previous returns as on 31-12-19.....  
 Accounts, if any, inadvertently omitted in the previous returns.....\*  
 Additions during 19.....\*

Total ...

\*\* Accounts which have become operative or were closed during 19.....

Total balance as at 31-12-19.....

Add — Interest credited to the accounts during the year

Less — Incidental charges levied to the accounts during the year.

Total

Date.....

Signature .....

\* This item is intended to denote actual balances in accounts which have, since the date of the immediately previous return, become inoperative for ten years. If any of the accounts, which should have been included under this item in the previous returns, have been inadvertently omitted from those returns, they should be shown under the separate sub-head "Accounts, if any, inadvertently omitted from the previous returns" immediately below "Balance brought forward from the previous return as on 31-12-19.....". Particulars of such accounts should be given under all columns of the statement.

\*\* This item is intended to denote the outstanding balances in such of the accounts (shown in the previous returns) as have become operative on account of further deposits or withdrawals or were closed during the year, after taking into consideration the additions thereto on account of interest credited and deductions therefrom on account of incidental charges applied. The difference (if any), between the outstanding balance thus reported and that shown in the previous return should be suitably explained.

## THE BANKING COMPANIES ACT, 1949

## FORM XII

(Sections 25 and 27)

Name of the banking company.....

Name and designation of the officer submitting the return.....

Statement showing the assets and liabilities in India as at the close of business on the last Friday\*, the..... (To be submitted to the Reserve Bank before the close of the month succeeding that to which the return relates. Data under Parts I and II may be furnished as at the close of business on the last Friday\* of every month and under Part III as at the close of business on the last Friday\* of March, June, September and December).

## PART I

(Section 27)

(Rounded off to the nearest thousand)

A. Liabilities in India	B. Assets in India
1. Paid up capital** (excluding forfeited shares)	1. Cash in hand.
2. Forfeited shares	2. Balances with the Reserve Bank in current account.
3. Reserve Fund etc. (a) Reserve Fund and other reserves (b) Share Premium Account	3. Balances with the State Bank of India in current account.
4. Demand liabilities (a) Current deposits (i) from banks (ii) from others  (b) Savings deposits (demand liability portion only)  (c) Borrowings from banks  (i) from Reserve Bank of India, State Bank of India and notified banks*** (ii) from other banks  (d) Other demand liabilities	4. (a) Balances with the agents of the Reserve Bank (other than the State Bank of India) in current account. (b) Balances with other banks (other than co-operative banks) in current account.
	5. Money at call and short notice.
	6. Investments
	A. In securities of
	(a) Central Government (i) Treasury Bills. (ii) Other Government securities including Treasury Deposit Receipts Treasury Savings Deposit Certificates and Postal obligations.
	(b) State Governments (i) Treasury Bills. (ii) Others
5. Time liabilities (a) Fixed deposits (i) from banks (ii) from others	

- 
- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>(b) Savings deposits<br/>(time liability portion only)</li> <li>(c) Borrowings from banks           <ul style="list-style-type: none"> <li>(i) from Reserve Bank of India, State Bank of India and notified banks***</li> <li>(ii) from other banks</li> </ul> </li> <li>(d) Cash Certificates, recurring deposits, etc.</li> <li>(e) Other time liabilities</li> </ul> <p>6. Branch adjustments £</p> <ul style="list-style-type: none"> <li>(a) Offices in India</li> <li>(b) Offices outside India</li> </ul> <p>7. Total demand and time liabilities<br/>(items A4, A5 and A6)</p> <p>8. Balance of profit.</p> | <p>B. Other investments</p> <ul style="list-style-type: none"> <li>(a) Securities of local authorities (e.g., Municipalities, Port Trusts, etc.).</li> <li>(b) Shares           <ul style="list-style-type: none"> <li>(i) Of Corporations incorporated by any law for the time being in force in India and of Government Companies as defined in section 617 of the Companies Act, 1956.</li> <li>(ii) Of other Corporations or Companies (e.g., Companies registered under the Companies Act, Co-operative Societies, etc.).</li> </ul> </li> <li>(c) Debentures           <ul style="list-style-type: none"> <li>(i) Of Corporations incorporated by any law for the time being in force in India and of Government Companies as defined in section 617 of the Companies Act, 1956.</li> <li>(ii) Of other Corporations and Companies (e.g., Companies registered under the Companies Act, Co-operative Societies, etc.).</li> </ul> </li> <li>(d) Others</li> </ul> <p>7. Inland bills purchased and discounted.</p> <ul style="list-style-type: none"> <li>(a) Bills purchased</li> <li>(b) Bills discounted</li> </ul> <p>8. Foreign bills purchased and discounted</p> <ul style="list-style-type: none"> <li>(a) Export bills drawn in India<br/>(in approved currencies)           <ul style="list-style-type: none"> <li>(i) from banks</li> <li>(ii) from others</li> </ul> </li> <li>(b) Import bills drawn on and payable in India (in approved currencies)           <ul style="list-style-type: none"> <li>(i) from banks</li> <li>(ii) from others</li> </ul> </li> <li>(c) Other foreign bills purchased and discounted.           <ul style="list-style-type: none"> <li>(i) from banks</li> <li>(ii) from others</li> </ul> </li> </ul> <p>9. (a) Loans, advances, cash credits and overdrafts [excluding due from banks vide 9(b) below].</p> <p style="padding-left: 20px;">(b) due from banks.</p> <p>10. Premises, furniture, fixtures and other fixed assets.</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

		11. Branch adjustments £.	
		12. Capitalised expenses including preliminary expenses, organisation expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets.££	
		13. Other tangible assets.	
Total	_____	Total	_____

**PART II**

*Break-up of liabilities (vide item A-7)*

1. Deposits (all accounts by whatever name called including credit balances in cash credit accounts)			
(a) of Foreign, Central and State Governments		Rs.....	
(b) of banks :			
(i) of banking companies, @State Bank of India and notified institutions(@@)		Rs.....	
(ii) of other banks such as co-operative banks		Rs.....	Rs.....
(c) of others		Rs.....	Rs.....
2. Borrowings from banks			Rs.....
(Of (2) above, borrowings by way of money at call and short notice received from co-operative banks Rs.....)			
3. Other liabilities (not in the nature of deposits)			Rs.....
		Total liabilities	Rs.....

Total advances (Total of items B.7, B.8 and B.9 of the Assets side of Part I above)			Percentage of clean Advances to Total Advances [Percentage of column (1) to (3)]	Total Deposits [Total of items A.4(a), A.4(b), A.5(a), A.5(b) and A.5(d) of the Liabilities side of Part I above]	Percentage of Total advances to Total Deposits [Percentage of column (3) to (5)]
Clean	Others	Total			
(1)	(2)	(3)	(4)	(5)	(6)

## PART III

## (Section 25)

(Rounded off to the nearest thousand)

- 
- |                                                                                                                      |       |
|----------------------------------------------------------------------------------------------------------------------|-------|
| 1. Demand and time liabilities in India (Total of items A.4 and A.5 in Part I)                                       | _____ |
| 2. Minimum amount of assets required to be held in India under section 25 of the Act (75 per cent of item 1 above)   | _____ |
| 3. Assets in India                                                                                                   |       |
| (i) Total of items B.1 to B.10 [excluding other foreign bills, if any, shown under item B.8 (c)] and B.13 in Part I. | _____ |
| (ii) Securities approved by the Reserve Bank under section 25(3)(a) of the Act and not included in item (i) above.   | _____ |

Date : .....

Signature : .....

\* If the concerned Friday is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day.

\*\* In the case of banking companies incorporated outside India the amount of deposit kept with the Reserve Bank under sub-section(2) of section 11 of the Act should be shown under this head but excluded from the total.

\*\*\* 'notified bank' means any banking institution notified by the Central Government under clause (c) of the Explanation to sub-section (1) of section 42 of the Reserve Bank of India Act, 1934 (2 of 1934).

££ If the balance in the profit and loss account represents loss, it should be included in this item.

£ The net balance of branch adjustments should be shown as liabilities or assets under item A.6 or B.11, as the case may be.

@ 'banking company' has the same meaning as assigned to it under the Banking Companies Act, 1949 (10 of 1949).

@@ 'notified institution' means any banking institution notified by the Central Government under section 51 of the Banking Companies Act, 1949 (10 of 1949).

(xiii) Form XIV shall be re-numbered as Form XIII.

(xiv) In Form III, the words 'the Refinance Corporation for Industry Ltd.' occurring in items A.1 and A. 2 shall be deleted.

(xv) In Form X, the words 'the Refinance Corporation for Industry Ltd.' occurring in items A.1 and A.2 shall be deleted.



**53. DBO. No. Sch. 192/C. 96-65—February 9, 1965—All Scheduled Banks****Advances to parties affected by curtailment of hundi accommodation by indigenous bankers**

As a result of the reported curtailment of financing by indigenous bankers against hundis, it appears that the affected parties are likely to approach commercial banks for alternate finance. In this connection, banks should exercise circumspection while considering such requests and ensure that any finance extended by them to such parties is for legitimate purposes and will not defeat the object behind the Reserve Bank's credit control measures. They should, in particular, ensure that advances against foodstuffs and grains are not allowed to be increased as a result of the developments referred to above.

**54. DBOD. No. Sch. 1510/C. 96-65—September 10, 1965—All Banks**

We enclose a directive issued by us today under section 35A of the Banking Companies Act, 1949. The directive covers all accounts with banks in India in the names of individuals and firms of Pakistani nationality, resident as well as non-resident in India, and companies registered in Pakistan ; it covers also advances to such persons. All accounts of such individuals, firms and companies except accounts of individuals residing in India are blocked, and no operations on such accounts are allowed. As regards accounts of persons residing in India, banks should refuse payments from or operations on such accounts, beyond the limit specified in the directive, if they have evidence that the account-holder is a Pakistani national. The banks, however, will have to exercise the greatest care to ensure that payments to Muslims who are Indian nationals or nationals of countries other than Pakistan are not held up merely because the bank wishes to make inquiries ; in cases of doubt a reference should be made to the Controller, Exchange Control Department, Reserve Bank of India, Central Office, Bombay, but in the meanwhile operations on the account should be allowed. In particular, the directive should be implemented in a manner which would cause no trouble or inconvenience to Muslims who are nationals of India.

**55. DBOD. No. Sch. 1511/C. 96-65—September 10, 1965—All Banks**

In exercise of the powers conferred by section 35A of the Banking Companies Act, 1949, the Reserve Bank of India being satisfied that in the public interest it is necessary so to do, hereby directs that—

no payment shall be made to or by order of or on behalf of, and no loan, advance or overdraft shall be made or granted to, any individual being a national of Pakistan or any firm or association of persons, any of the partners or members of which is a national of Pakistan or any company the registered office of which is situated in Pakistan

provided, however, that nothing in this directive shall apply to

- (1) any payment to an individual being a national of Pakistan residing in India so long as the amount of such payments together with amount of any previous payment to the same person made on or after 8th September 1965 is not in excess of Rs. 3,000/-,
- (2) any payment to a diplomatic or consular office or Mission of Pakistan in India or to any diplomatic or consular officer employed by such office or Mission,
- (3) any transaction specifically permitted or authorised in writing by the Reserve Bank of India.

2. This directive shall apply to every banking company and also to the State Bank of India and every other banking institution notified by the Central Government under section 51 of the Banking Companies Act, 1949.

**56. DBOD. No. Sch. 1820/C. 96-65—November 9, 1965.**

Please refer to our D.O. letters Nos. DBOD. Sch. 1541/1561/C. 96-65 dated the 16th and 18th September 1965 respectively. We had exhorted the banks to ensure that normal banking facilities are continued to be made available in the border areas but complaints and representations were received that certain banks operating in those areas were not meeting the normal requirements of business and industry. A senior official of the Reserve Bank was, therefore, deputed to the Punjab to make an 'on the spot' study of the situation. He held meetings with representatives of banks, industrialists and businessmen at the concerned centres as well as with officials of the State Government, in order to arrive at a proper assessment of the situation. It transpired from his enquiries and discussions that although banks had not completely withdrawn all credit facilities on the outbreak of hostilities, there was substance in the complaints made about their attitude to their constituents during the critical period. Thus, while further advances to existing constituents except against their own fixed deposits had been stopped by some banks, acceptance of bills for negotiation or even collection had been discontinued. Further, branches of some of the banks, situated in other areas, had stopped accepting for collection/negotiation bills drawn on centres in the border areas or effecting remittances to the latter areas by means of drafts and telegraphic transfers. Such action resulted in creating conditions bordering on panic and industry and trade were practically brought to a standstill, as many units were reduced to a position where they could not meet their urgent needs for funds in order to maintain production or even pay their wage bills. In fact, matters had reached a stage where some industrialists were even contemplating the shifting of their operations to safer places—a tendency which would have resulted not only in dislocation and disruption of the economic life of the vital border areas but would also have affected the morale of the entire population at highly important and strategic points in the country's defence.

2. We write this specially to impress that it is of the utmost importance to the defence effort that production of all goods and materials should continue unabated and no cessation or reduction in the tempo be allowed unless ordered by the Military Authorities. Although banks, in response to our letters referred to earlier, and on account of the cease fire have, by and large, taken the steps to restore normal facilities in the border areas, care must hereafter be taken to ensure that there is no repetition of the state of affairs which very nearly led to disruption of normal productive and trading activity. We, therefore trust that you will kindly issue suitable instructions to your branches to ensure that, in the event of hostilities breaking out again, not only are normal banking facilities continued in the concerned areas, but efforts are also made to render the maximum possible assistance to industry and trade in order to enable them to maintain production and supply. In this connection we have set forth in the enclosed Annexure certain guide-lines which may be usefully adopted by your bank and which while safeguarding your own interests will also ensure that there is no disruption of essential activity if hostilities break out again.

3. Please acknowledge receipt of this letter and let us have a copy of the instructions issued by you to your branches.

## ANNEXURE

**A—Continuance of normal banking facilities by banks operating in border areas or areas threatened by enemy action.**

(i) Banks should ensure that the normal requirements of industry and trade in the border areas continue to be met by them without any interruption or curtailment and that no action is taken by them which will have the result of creating a sense of panic or disrupt essential productive activity.

(ii) Instructions should be issued to the concerned branches to ensure that the usual facilities for grant of advances against stocks of raw materials and finished goods, negotiation/collection of cheques and bills, advances against railway receipts, etc. and other usual loans and advances are fully continued.

(iii) Branches in the areas not affected/threatened by enemy action should be specifically advised that they should not discontinue accepting for negotiation/collection bills and cheques drawn on centres in the border areas and should maintain normal dealings with such branches. Normal remittances including those on account of realisation of bills should be continued to be promptly made.

(iv) The branch officials in the concerned areas should be vested with sufficient discretionary powers to enable them to attend to requests for grant of advances made by industries (particularly small-scale industries) engaged in producing goods necessary for defence purposes without having to refer to the Head Office for sanction. Grant of such discretionary powers should be possible in view of the protection given by the Emergency Risks (Goods) Insurance Scheme, 1962. Suitable provision may, if necessary, be made in the documents obtained from the borrowers by these branches authorising them to cover *all* goods held as security against War Risks and to recover the premium from the parties' accounts from time to time. Insurance cover against theft may also be obtained, wherever possible.

(v) Branch agents should be given discretionary powers to suitably increase the existing sanctioned limits in cases where adequate security is available in the form of stocks or other collateral, in order to enable the factories and traders to hold additional stocks and to meet their requirements of funds, where movement of stocks is affected by transport dislocations.

(vi) In the case of advances against bills covering lorry receipts, the lorry receipts should as far as possible provide for 'carrier's risk' and not 'owner's risk'.

(vii) The branches in the border areas should be advised to meet the withdrawals made by the depositors freely and expeditiously. For that purpose, suitable arrangements should be made with the State Bank of India for increased borrowing/T.T. purchasing limits for the concerned branches.

(viii) Branches in the border areas may be advised to seek the assistance of the Deputy Commissioner for booking priority calls over the telephone in times of emergency.

**B—Ensuring the safety of valuables and preservation of records of banks operating in areas which become the theatres of active fighting.**

(i) Branches may be advised that important records required to be preserved permanently should be kept either in strongrooms or fire-proof safes. Suitable instructions may be given to the branches to submit to the Head Office/or a selected upcountry office, as from a selected date, such statements etc. as would facilitate the duplication and reconstruction of the records in the event of destruction of the original records.

(ii) Cash and other valuables should be insured under the Emergency Risks (Goods) Insurance Scheme, 1962.

(iii) Stocks pledged and hypothecated with the branches should also be similarly insured.

(iv) In case the branches do not have satisfactory arrangements for maintenance of cash and valuables, arrangements may be made, wherever practicable, with the local office of the State Bank of India to afford necessary facilities at the appropriate time.

(v) If, in the judgement of the official of the branch, it is probable that a situation may develop in which there is a risk of the gold, coin and the currency notes of the branch falling in enemy hands, they should be despatched to a place of safety as circumstances dictate. All movements of treasure should be carried out with adequate escort and as unostentatiously as possible. The branch officials should obtain the guidance of the Deputy Commissioner or other local authorities in the matter.

**57. DBOD No. Sch. 1795/C. 96-65—November 4, 1965—All Banks**

**National Defence Gold Bonds, 1980**

As you are aware, the Government of India have announced the issue of the National Defence Gold Bonds, 1980 and subscriptions for the Bonds are being received without limit from the 27th October 1965 to the 31st January 1966. The Bonds are being issued for the purposes of defence and development as well as other essential projects oriented towards the country's immediate requirements. They are negotiable and transferable.

2. An important factor which would contribute to the success of these Bonds is the willingness of the banks to provide accommodation to their clients against the security of the Bonds. In view of the fact mentioned above, we hope that the banks would have no difficulty in granting such accommodation as and when required. In this connection it is clarified that advances against these Gold Bonds may be regarded as being on an entirely different footing from advances against gold or ornaments. In our circular DBO No. Ins. 642/C. 124(P)-64 dated 20th January 1964 banks were advised *inter alia* that the policy of discouraging bank advances against gold or ornaments and particularly advances which are likely to be utilised for non-productive purposes stands. This position still continues. Advances against Gold Bonds, on the other hand, should be treated like advances against other Government securities, the valuation being on the basis of the prevailing market rates.

3. We shall be glad if you will kindly issue appropriate instructions to your branches and inform your constituents in a suitable manner about your policy regarding loans and advances against Gold Bonds.

## APPENDIX V

## NOTIFICATIONS ISSUED TO NON-BANKING INSTITUTIONS UNDER SECTIONS 45J, 45K AND 45L OF THE RESERVE BANK OF INDIA ACT, 1934

No. ED. DPPR. 5630/MRC. 95-65—May 7, 1965

In exercise of the powers conferred by Section 45K of the Reserve Bank of India Act, 1934, and in supersession of its directive Ref. No. ED. DME. 1062/MRC. 95-64 dated May 14, 1964, the Reserve Bank of India hereby directs that every company, other than a banking company or a company which is exempted from this directive under clause 2 herein, shall in relation to or in connection with any deposits, whether from its shareholders or from any other person or party, received by such company on or after 31st March 1962 or any such deposits received by it and are outstanding on or at any time after 31st March 1962, furnish information and particulars in the form annexed hereto and as specified therein. The Reserve Bank of India further directs that the said forms duly completed and signed be furnished and continue to be furnished half yearly as indicated in the said forms to the Director, Division of Publications and Press Relations, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative form.

2. The directions contained herein do not apply to—

(a) companies in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments;

(b) companies which are financial institutions within the meaning of clause 3(b) herein ;

(c) companies limited by guarantee; and

(d) companies not working for profit, such as those formed for promoting art, science, religion, charity, etc.

3. For the purposes of this order—

(a) “company” means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of Section 591 of that Act ;

(b) “financial institution” means a company—

(i) which carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture ; or

(ii) which carries on as its business or part of its business the acquisition of shares, stocks, bonds, debentures or debenture stocks or securities issued by a Government or local authority or other marketable securities of like nature ; or

(iii) which carries on as its principal business hire-purchase transactions or the financing of such transactions.

No. ED. DPPR. 5631/MRC. 95-65—May 7, 1965

Whereas the Reserve Bank of India considers it expedient to obtain statements, information and particulars relating to deposits from certain companies and is also satisfied that for the purpose

of enabling it to regulate the credit system of the country to its advantage it is necessary to obtain statements, information and particulars relating to the business of such companies as hereinafter specified, the Reserve Bank, in exercise of the respective powers conferred by section 45K and section 45L of the Reserve Bank of India Act, 1934, and in supersession of its directive Ref. No. ED. DME. 1063/MRC. 95-64 dated May 14, 1964, hereby directs that every company (other than a banking company) which carries on as its principal business hire-purchase transactions or the financing of such transactions shall, in relation to or in connection with any deposits, whether from its shareholders or from any other person or party, received by or in relation to the business of such company where such deposits have been accepted or such business has been carried on by it on or after 31st March 1962, or where any such deposits already accepted have been outstanding on or at any time after 31st March 1962, furnish information and particulars in the forms annexed hereto and as specified therein. The Reserve Bank of India further directs that the said forms duly completed and signed be furnished and continue to be furnished half yearly and yearly as indicated in the said forms, to the Director, Division of Publications and Press Relations, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative forms.

2. For the purposes of this order, "company" means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of section 591 of that Act.

**No. ED. DPPR. 5632/MRC. 95-65—May 7, 1965**

Whereas the Reserve Bank of India considers it expedient to obtain statements, information and particulars relating to deposits from certain companies and is also satisfied that for the purpose of enabling it to regulate the credit system of the country to its advantage it is necessary to obtain statements, information and particulars relating to the business of such companies as hereinafter specified, the Reserve Bank, in exercise of the respective powers conferred by section 45K and section 45L of the Reserve Bank of India Act, 1934, and in supersession of its directive Ref. No. ED. DME. 1064/MRC. 95-64 dated May 14, 1964, hereby directs that every company (other than a banking company), which is a financial institution referred to in clause 2 (b) herein, shall, in relation to or in connection with any deposits, whether from its shareholders or from any other person or party, received by or in relation to the business of such company where such deposits have been accepted or such business has been carried on by it on or after 31st March 1962 or where any such deposits already accepted have been outstanding on or at any time after 31st March 1962, furnish information and particulars in the forms annexed hereto and as specified therein. The Reserve Bank of India further directs that the said forms duly completed and signed be furnished and continue to be furnished half yearly and yearly as indicated in the said forms, to the Director, Division of Publications and Press Relations, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative forms.

2. For the purpose of this order—

(a) "company" means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of section 591 of that Act

(b) "financial institution" means a company—

- (i) which carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture ; or
- (ii) which carries on as its business or part of its business the acquisition of shares, stock, bonds, debentures or debenture stock or securities issued by a Government or local authority or other marketable securities of like nature.

**No. ED. DPPR. 1209/MRC. 95-66—January 7, 1966**

The Reserve Bank of India having considered it necessary in the public interest to give the directions set out below, hereby, in exercise of the powers conferred by Sections 45J and 45K of the Reserve Bank of India Act, 1934, gives to every company other than—

- (a) a banking company or any company, carrying on any class of insurance business in India, or
- (b) a company which receives deposits only from its members, or
- (c) a company, not being a company referred to in clause (a) or clause (b) which—
  - (i) carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture, or
  - (ii) carries on as its business or part of its business the acquisition of shares, stock, bonds, debentures or debentures stock or securities issued by a Government or local authority or other marketable securities of a like nature, or
  - (iii) carries on as its principal business hire-purchase transactions or the financing of such transactions, the directions hereinafter specified.

**(1) Prohibition of the acceptance of short term deposits :**

No company shall—

- (i) receive any deposit repayable on demand, or on notice, or repayable after a period of less than twelve months from the date of receipt of such deposit, or
- (ii) renew any deposit received by it, whether before or after the date of these directions, unless such deposit, on renewal, is repayable not earlier than twelve months from the date of such renewal.

**(2) Provision in respect of existing deposits :**

Every company which, on the date of these directions, holds any deposit repayable on demand, or on notice, or after a period of less than twelve months from the date of receipt of such deposits, shall

- (i) within a period of six months from the date of the issue of these directions in the case of a deposit repayable on demand or on notice, and
- (ii) when the deposit becomes due for repayment, in the case of any other deposit secure, by taking such steps as may be necessary, that the deposit is made repayable not earlier than
  - (a) the expiry of twelve months from the date of the deposit, if the deposit is covered by the provisions of sub-clause (i) or
  - (b) the expiry of twelve months from the date of renewal of the deposit, if the deposit is covered by the provisions of sub-clause (ii)

Provided that nothing in this clause shall be applicable to or in relation to any deposit in respect of which the company is unable to trace the depositor so however that no interest shall be payable

(a) in respect of any deposit, as aforesaid, which is repayable on demand or on notice after the expiry of six months from the date of issue of these directions and

(b) in respect of any deposit, as aforesaid, which has matured for payment but has not been claimed or received by the depositor after the date on which it has matured for payment

Provided further that the Reserve Bank of India may, on an application in this behalf, extend the period specified in sub-clause (i) or sub-clause (ii) in respect of any individual company or a group of companies.

(3) *Particulars to be specified in advertisements soliciting deposits :*

No company and no other person on behalf of such a company shall issue or cause to be issued, any advertisements soliciting or inviting deposits, unless such advertisement is issued on the authority and in the name of the manager of the company and carries a reference to the date on which the said manager has approved of the text of the advertisement and contains, in addition, the following information, namely—

(a) brief particulars of the management of the company,

(b) the business actually carried on by the company and its subsidiaries,

(c) profits of the company, before and after tax, for the three preceding financial years,

(d) dividends declared by the company in respect of the said years,

(e) the liabilities of the company as on the date of the latest audited balance sheet of the company (which date shall also be stated) under the following heads, that is to say

(i) paid up capital

(ii) free reserves

(iii) deposits

(iv) any loan or advance obtained by the company and secured by a mortgage or charge including a floating charge or by any other lien on the property of the company, including temporary loans as defined in Section 293 of the Companies Act, 1956 (1 of 1956), and

(v) any other amount borrowed by the company, including temporary loans as aforesaid.

(4) *Copies of balance sheet and accounts to be furnished to the Reserve Bank of India :*

(i) Before a company, issues or causes to be issued, any advertisement for the first time after the date of these directions soliciting deposits, it shall deliver to the Reserve Bank of India an audited balance sheet dated not more than fifteen months before the date on which the advertisement is issued, and an audited profit and loss account for the period between the date of that balance sheet



and the date of the earlier audited balance sheet, or where there is no such earlier audited balance sheet, the date of the certificate of commencement of business.

Provided that where the advertisement as aforesaid is issued after a period of nine months from the date of the balance sheet delivered under this clause, the company shall deliver to the Reserve Bank of India, in addition to the said audited balance sheet and profit and loss account, interim accounts consisting of a balance sheet certified by the manager of the company and dated not less than six months after the date of the first mentioned balance sheet and a profit and loss account so certified for the period between the dates of the said two balance sheets.

(ii) Before a company issues or causes to be issued after the date of these directions any advertisement soliciting deposits, other than the first advertisement referred to in sub-clause (i) above, it shall deliver to the Reserve Bank of India unless it has done so already, an audited balance sheet as on the last day of the immediately preceding financial year of the company and an audited profit and loss account in respect of that year and where such subsequent advertisement is issued after a period of nine months from the date of the last audited balance sheet also interim accounts consisting of a balance sheet certified by the manager of the company and dated not less than six months after the date of the audited balance sheet and a profit and loss account so certified for the period between the dates of the said two balance sheets.

(5) *Furnishing of receipts and register of deposits :*

(i) Every company shall furnish to every depositor or his agent a receipt for every amount which may be received by the company by way of a deposit after the date of these directions.

(ii) The said receipt shall be duly signed by an officer entitled to act for the company in this behalf and shall state quite clearly in words and figures the amount received by the company by way of the deposit, the rate of interest payable thereon and the date on which the deposit is repayable.

(iii) Every company shall in respect of deposits received in each of the financial years, keep one or more registers in which shall be entered separately in the case of each depositor the following particulars, namely,

- (a) Name and address of the depositor.
- (b) Date and amount of each deposit.
- (c) Date and amount of accrued interest or premium on each deposit.
- (d) Date and amount of each repayment, whether of principal, interest or premium.
- (e) Any other particulars relating to the deposit.

(iv) The register aforesaid shall be kept at the registered office of the company and shall be preserved in good order for a period of not less than eight calendar years following the financial year, in which the latest entry is made of the repayment or renewal of any deposit of which particulars are contained in the register.

(6) *Information to be included in the Board's report :*

(i) In every report of the Board of Directors laid before the company in general meeting under sub-section (1) of Section 217 of the Companies Act, 1956 (1 of 1956) after the expiry of six months from the date of issue of these directions, there shall be included the following particulars or information, namely :

(a) the total number of depositors of the company whose deposits have not been claimed by the depositors or paid by the company,

(i) in the case of deposits repayable on demand or on notice, after the expiry of six months from the date of these directions, and

(ii) in the case of any other deposit, after the date on which the deposit became due for repayment, and

(b) the amounts due to the depositors and remaining unclaimed or unpaid beyond the dates referred to in sub-clause (i) and sub-clause (ii) as aforesaid.

(ii) The said particulars or information shall be furnished with reference to the position as on the last day of the financial year to which the report relates and if the amounts remaining unclaimed or undisbursed as referred to in sub-clause (b) of the preceding clause exceed in the aggregate the sum of Rs. 10 lakhs, there shall also be included in the report a statement on the steps taken or proposed to be taken by the Board of Directors for the payment of the amounts due to the depositors and remaining unclaimed or undisbursed.

(7) *Definitions:*

For the purpose of these directions

(a) "advertisement" means any matter published on behalf of the company in a newspaper and any other written or printed matter published in the form of a notice, prospectus, circular or other document or any other material or text appearing on posters, bill boards and hoardings, and includes any matter appearing on lantern slides or exposed cinematograph films but does not include any script broadcast on the radio ;

(b) "banking company" means a banking company as defined in Section 5(c) of the Banking Companies Act, 1949 (10 of 1949);

(c) "company" means a company as defined in section 3 of the Companies Act, 1956 (1 of 1956) and includes a foreign company within the meaning of section 591 of the said Act ;

(d) "deposit" means any deposit of money and includes any amount borrowed at interest or repayable at a premium, but does not include :

(i) a loan to a company on terms involving the issue of debentures or the creation of any mortgage, pawn, pledge or hypothecation, charge (including floating charge), or lien on the assets of the company or any part thereof ;

(ii) any other loan received from a banking company as defined in section 5(c) of the Banking Companies Act, 1949 (10 of 1949) or from the State Bank of India or from a banking institution notified by the Central Government under section 51 of that Act or from a member of the company or from any person who is registered as a money-lender under any law relating to money-lending which is for the time being in force or any other loan received from, or guaranteed by, the managing agents, secretaries and treasurers or the directors of the company ;

(iii) any money received by the Company, by way of subscription to any shares, stocks, bonds and debentures (including calls or deposits received in advance), any money received by way of security from employees or any amount received from purchasing, selling or other agents in the course of or for the purposes of the business of the company or any advance

received against orders for goods or services or any money received in trust or any money in transit ;

(e) "free reserves" shall include all sums shown or published in the balance sheet or in the profit and loss account of the company as being retained for any general or unspecified purpose but shall exclude depreciation, development rebate and renewal reserves or any other reserves which may be earmarked or declared by the company to be earmarked for any specified purpose ; and

(f) any other words or expressions used in these directions but not defined and defined in the Companies Act, 1956 (1 of 1956) shall have the meanings respectively assigned to them in that Act.

(g) the date on which an advertisement is issued shall for the purposes of these directions be deemed—

(i) if the advertisement is published in any newspaper, to be the date on which it is so published, and

(ii) if the advertisement is not published in any newspaper, to be the date on which the text thereof has been approved by the manager of the company

(h) any document or other return which is required to be delivered or furnished to the Reserve Bank of India under this order shall be forwarded by registered or ordinary post to the Economic Department of the Bank at its Central Office at Bombay.

**No. ED. DPPR./1210/ MRC. 95-66—January 7, 1966**

The Reserve Bank of India having considered it necessary in the public interest and also having been satisfied that for the purpose of enabling the Bank to regulate the credit system of the country to the advantage of the country, it is necessary to give the directions set out below, hereby, in exercise of the powers conferred by sections 45J, 45K and 45L of the Reserve Bank of India Act, 1934, gives to every company, other than a banking company, which carries on as its principal business hire purchase transactions or the financing of such transactions, the directions, hereinafter specified.

*(1) Prohibition of the acceptance of short term deposits :*

No company shall—

(i) receive any deposit repayable on demand, or notice, or repayable after a period of less than six months from the date of receipt of such deposit, or

(ii) renew any deposit received by it, whether before or after the date of these directions unless such deposit, on renewal, is repayable not earlier than the expiry of six months from the date of such renewal.

*(2) Provision in respect of existing deposits :*

Every company which, on the date of these directions, holds any deposit repayable on demand, or on notice, or after a period of less than six months from the date of receipt of such deposit, shall

(i) within a period of six months from the date of the issue of these directions in the case of a deposit repayable on demand or on notice, and

(ii) when the deposit becomes due for repayment, in the case of any other deposit secure, by taking such steps as may be necessary, that the deposit is made repayable not earlier than

(a) the expiry of six months from the date of the deposit, if the deposit is covered by the provisions of sub-clause (i) or

(b) the expiry of six months from the date of renewal of the deposit, if the deposit is covered by the provisions of sub-clause (ii)

Provided that nothing in this clause shall be applicable to or in relation to any deposit in respect of which the company is unable to trace the depositor

so however that no interest shall be payable

(a) in respect of any deposit as aforesaid which is repayable on demand or on notice, after the expiry of six months from the date of issue of these directions and

(b) in respect of any deposit, as aforesaid, which has matured for payment but has not been claimed or received by the depositor, after the date on which it has matured for payment

Provided further that the Reserve Bank of India may, on an application in this behalf, extend the period specified in sub-clause (i) or sub-clause (ii) in respect of any individual company or a group of companies.

*(3) Particulars to be specified in advertisements soliciting deposits:*

No company and no other person on behalf of such a company shall issue or cause to be issued, any advertisement soliciting or inviting deposits, unless such advertisement is issued on the authority and in the name of the manager of the company and carries a reference to the date on which the said manager has approved of the text of the advertisement and contains, in addition, the following information, namely—

- (a) brief particulars of the management of the company,
- (b) the business actually carried on by the company and its subsidiaries,
- (c) profits of the company, before and after tax, for the three preceding financial years,
- (d) dividends declared by the company in respect of the said years,
- (e) the liabilities of the company as on the date of the latest audited balance sheet of the company (which date shall also be stated) that is to say

(i) paid up capital

(ii) free reserves

(iii) deposits

(iv) any loan or advance obtained by the company and secured by a mortgage or charge including a floating charge or any other lien on the property of the company, including temporary loans as defined in Section 293 of the Companies Act 1956 (1 of 1956), and

(v) any other amount borrowed by the company, including temporary loans as aforesaid.

(4) *Copies of balance sheet and accounts to be furnished to the Reserve Bank of India :*

(i) Before a company, issues or causes to be issued, any advertisement for the first time after the date of these directions soliciting deposits, it shall deliver to the Reserve Bank of India an audited balance sheet dated not more than fifteen months before the date on which the advertisement is issued, and an audited profit and loss account for the period between the date of that balance sheet and the date of the earlier audited balance sheet, or where there is no such earlier audited balance sheet, the date of certificate of commencement of business.

Provided that where the advertisement as aforesaid is issued after a period of more than nine months from the date of the balance sheet delivered under this clause, the company shall deliver to the Reserve Bank of India, in addition to the said audited balance sheet and profit and loss account, interim accounts consisting of a balance sheet certified by the manager of the company and dated not less than six months after the date of the first mentioned balance sheet and a profit and loss account so certified for the period between the dates of the said two balance sheets.

(ii) Before a company, issues or causes to be issued after the date of these directions any advertisement soliciting deposits, other than the first advertisement referred to in sub-clause (i) above, it shall, deliver to the Reserve Bank of India unless it has done so already, an audited balance-sheet as on the last day of the immediately preceding financial year of the company and an audited profit and loss account in respect of that year and where such subsequent advertisement is issued after a period of nine months from the date of the latest audited balance sheet, also interim accounts consisting of a balance sheet certified by the manager of the company and dated not less than 6 months after date of the audited balance sheet and profit and loss account so certified for the period between the dates of the said two balance sheets.

(5) *Furnishing of receipts and register of deposits:*

(i) Every company shall furnish to every depositor or his agent a receipt for every amount which may be received by the company by way of a deposit after the date of these directions.

(ii) The said receipt shall be duly signed by an officer entitled to act for the company in this behalf and shall state quite clearly in words and figures the amount received by the company by way of the deposit, the rate of interest payable thereon and the date on which the deposit is repayable.

(iii) Every company shall in respect of deposits received in each of the financial years, keep one or more registers in which shall be entered separately in the case of each depositor the following particulars, namely,

- (a) Name and address of the depositor.
- (b) Date and amount of each deposit.
- (c) Date and amount of accrued interest or premium on each deposit.
- (d) Date and amount of each repayment whether of principal, interest or premium.
- (e) any other particulars relating to the deposit.

(iv) The register aforesaid shall be kept at the registered office of the company and shall be preserved in good order for a period of not less than eight calendar years following the financial year, in which the latest entry is made of the repayment or renewal of any deposit of which particulars are contained in the register, is paid or renewed.

**(6) Information to be included in the Board's report :**

(i) In every report of the Board of Directors laid before the company in general meeting under sub-section (1) of Section 217 of the Companies Act, 1956 (1 of 1956) after the expiry of six months from the date of issue of these directions there shall be included the following particulars or information, namely :

(a) the total number of depositors of the company whose deposits have not been claimed by the depositors or paid by the company,

(i) in the case of deposits repayable on demand or on notice, after the expiry of six months from the date of these directions, and

(ii) in the case of any other deposit, after the date on which the deposit became due for repayment, and

(b) the amounts due to the depositors and remaining unclaimed or unpaid beyond the dates referred to in sub-clause (i) and sub-clause (ii) as aforesaid.

(ii) The said particulars or information shall be furnished with reference to the position as on the last day of the financial year to which the report relates and if the amounts remaining unclaimed or undisbursed as referred to in sub-clause (b) of the preceding clause exceed in the aggregate the sum of Rs. 10 lakhs, there shall also be included in the report a statement on the steps taken or proposed to be taken by the Board of Directors for the payment of the amounts due to the depositors and remaining unclaimed or undisbursed.

**(7) Maintenance of a minimum percentage of liquid assets :**

Every company shall maintain in India (a) by way of cash with itself, or (b) in a post office savings bank account, or (c) in a current account with a scheduled bank, or (d) in unencumbered securities of the Central Government or of a State Government or in other unencumbered securities in which a trustee is entitled to invest trust money (such securities being valued at their market value for the time being or partly in cash, partly in such account or partly in such securities, a sum equivalent to at least nine per cent of the assets in India of such company.

**(8) Provision in regard to recoveries under hire-purchase contracts:**

Every company shall secure that the aggregate of the company's receipts by way of instalments due to the company under hire-purchase contracts during each of the two half years of each accounting year shall not be less than twenty-five per cent of the amount outstanding under such contracts at the close of business on the last working day of the previous financial year. Provided that where the financial year is longer or shorter than a period of twelve months—

(i) the first half-year shall be deemed to consist of a period of six months and the second half-year shall be deemed to consist of the remaining number of the completed months of the financial year,

(ii) the aggregate receipts in the first half-year shall not be less than twenty-five per cent of the amount outstanding at the end of the relevant previous financial year, and

(iii) the aggregate receipts in the second half-year shall bear, as far as possible, to the aggregate receipts in the first half-year the same proportion as the number of complete months in the second half-year bears to six.

Provided further that the Reserve Bank may, in regard to any company or class of companies, reduce or increase the amount required to be collected under this clause, having regard to the circumstances of the company or the class of the companies as the case may be, the nature of the contracts and other relevant considerations.

(9) *Definitions :*

For the purpose of these directions

(a) "advertisement" means any matter published on behalf of the company in a newspaper and any other written or printed matter published in the form of a notice, prospectus, circular or other document or any other material or text appearing on posters, bill boards and hoardings and includes any matter appearing on lantern slides or exposed cinematograph films but does not include any script broadcast on the radio ;

(b) "banking company" means a banking company as defined in Section 5(c) of the Banking Companies Act, 1949 (10 of 1949) ;

(c) "company" means a company as defined in section 3 of the Companies Act, 1956 (1 of 1956) and includes a foreign company within the meaning of section 591 of the said Act ;

(d) "deposit" means any deposit of money and includes any amount borrowed at interest or repayable at a premium, but does not include :—

(i) a loan to a company on terms involving the issue of debentures or the creation of any mortgage, pawn, pledge or hypothecation, charge (including floating charge), or lien on the assets of the company or any part thereof ;

(ii) any other loan received from a banking company as defined in section 5(c) of the Banking Companies Act, 1949 (10 of 1949) or from the State Bank of India or from a banking institution notified by the Central Government under section 51 of that Act or from a member of the company or from any person who is registered as a money-lender under any law relating to money-lending which is for the time being in force or any other loan received from, or guaranteed by, the managing agents, secretaries and treasurers or directors of the company ;

(iii) any money received by the Company, by way of subscription to any shares, stocks, bonds and debentures (including calls or deposits received in advance), any money received by way of security from employees or any amount received from purchasing, selling or other agents in the course of or for the purposes of the business of the company or any advance received against orders for goods or services or any money received in trust or any money in transit ;

(e) "free reserves" shall include all sums shown or published in the balance sheet or in the profit and loss account of the company as being retained for any general or unspecified purpose but shall exclude depreciation, development rebate and renewal reserves or any other reserves which may be earmarked or declared by the company to be earmarked for any specified purpose;

and (f) any other words or expressions used in these directions but not defined and defined in the Companies Act, 1956 (1 of 1956) shall have the meanings respectively assigned to them in that Act

(g) the date on which an advertisement is issued shall for the purposes of these directions be deemed—

(i) if the advertisement is published in any newspaper, to be the date on which it is so published, and

(ii) if the advertisement is not published in any newspaper, to be the date on which the text thereof has been approved by the manager of the company.

(h) any document or other return which is required to be delivered or furnished to the Reserve Bank of India under this order shall be forwarded by registered or ordinary post to the Economic Department of the Bank at its Central Office at Bombay.

---