

**RBI PRESS RELEASES****RBI to introduce Electronic Clearing Service (Credit Clearing) in more centres  
(March 18, 1998)**

The Reserve Bank of India has decided to extend the Electronic Clearing Service (ECS-Credit Clearing Scheme) to eight more centres, viz., Bhubaneswar, Chandigarh, Guwahati, Jaipur, Kanpur, Nagpur, Patna and Thiruvananthapuram with effect from July 1, 1998. It has also been decided to increase the limit on the transaction value under the ECS (Credit) Scheme from the present Rs. 50,000 to Rs. 1,00,000 from that date. With this, the Scheme would cover all the centres where the Reserve Bank of India manages the Clearing Houses. The Scheme, which was first operationalised at the four metropolitan cities, was extended to four more centres, viz., Ahmedabad, Bangalore, Hyderabad and Pune, from July 1, 1997.

The Reserve Bank has advised banks to bring these developments to the notice of their corporate customers issuing a large number of dividend payments, etc., and impress upon them to avail of the benefit under the ECS (Credit Clearing) facility.

ECS (Credit) facilitates paperless transactions by enabling banks extending credit facilities to companies or acting as paying banks for Dividend Warrants issued by companies to directly credit the customers' accounts with the Dividend amounts. The service not only facilitates faster credit but also helps avoid frauds.

**Dr. Rangarajan releases RBI History (1951-1967)  
(March 31, 1998)**

His Excellency Dr. C. Rangarajan, Governor of Andhra Pradesh, today released the history of the Reserve Bank of India, entitled "The Reserve Bank of India, 1951-1967". The history was released in a function held at the Reserve Bank's Central Office in Mumbai. Dr. Bimal Jalan, Governor, Reserve Bank of India, presided over the function.

Speaking on the occasion, Dr. Rangarajan pointed out that the history of the Reserve Bank of India has contemporary relevance in that events have a way of repeating themselves and the same concerns continue to recur. Elaborating, he said that even during the period 1951-67, as the volume spells out in detail, the monetary authorities were concerned with price stability, excessive reliance of the Government on the recourse to the Reserve Bank and periodic balance of payment crises and their impact on the domestic economy and the financial system. There are, therefore, lessons to be learnt from their experience, he noted. Dr. Rangarajan also pointed out that 1951 to 1967 was part of the developmental phase of the Reserve Bank and highlighted some of the other significant developments of that time, viz., conversion of the Imperial Bank of India into the State Bank of India, extension of rural credit, creating a strong banking supervisory system and setting up of new institutions for promoting industrial finance.

Dr. Bimal Jalan, Governor, Reserve Bank of India in his presidential remarks stated that the history of the Reserve Bank of India highlights the enormous difficulties through which the Indian economy and the Reserve Bank went through during the period under reference. He stated that the contribution of decision makers to the development of the economy and the Reserve Bank must be appreciated in this context. Dr. Jalan also noted that while there may have been different views on certain issues, as the correspondence reproduced in the history of the Reserve Bank highlights, even during 1951-67 the authorities had healthy regard for each other's spheres and competence which translated into decision making.

Written by Dr. G. Balachandran of the Delhi School of Economics with the guidance of a Committee of Directions of the Reserve Bank under the Chairmanship of Dr. C. Rangarajan, 'The Reserve Bank of India 1951-1967' is the second volume of the history of the Reserve Bank of India. The first volume, published in 1970 covered the period 1935-1951. The present volume covers the larger part of the first two decades after independence, when pioneering steps were taken to strengthen, develop and diversify the country's economic and financial structure. The focus of this book is on the Reserve Bank and public policy. The book details the Reserve Bank's role in mobilising resources for the Central and State Governments, regulating and strengthening the banking system and establishing an institutional infrastructure for agricultural and long-term industrial credit in India. It also covers developments in India's external sector, including the country's efforts to raise long-term foreign assistance for development and the rupee devaluation of 1966. The main narration

concludes with an elaborate survey of evolving relations between the central bank and the Central and the State Governments in India during these two decades. The book closes at 1967—a significant year in terms of the shifts in the policy stance made after this with regard to economic and banking policies.

### **Dr. Bimal Jalan releases "Indian Economy-Essays on Money and Finance"**

Later, Dr. Bimal Jalan, Governor, Reserve Bank of India released a book entitled "Indian Economy-Essays on Money and Finance".

Releasing the book, Dr. Jalan said that the book provides great intellectual excitement and would become an important text book for post-graduate students of Money and Finance. He pointed out that it is very rare to find that a person of such eminence as Dr. Rangarajan, who is not only a renowned economist but has also worked in public life, shares his thoughts and experiences. He complimented Dr. Rangarajan for producing a book that is contemporary and also of high quality and academic depth.

Dr. Rangarajan stressed that the book is not a history of a particular period as it does not talk about how decisions were taken at that time; but only compilation of his lectures delivered during that time. The lectures, he stated, give a flavour of major events that surfaced during that period and the policy makers' response to criticism.

The book "Indian Economy-Essays on Money and Finance" is a collection of lectures delivered by Dr. C. Rangarajan at various national and international fora during

1992-1997. A great deal has changed in the Indian economy since the crisis year 1990-91. This change has been brought about by far-reaching policy reforms that were initiated in the economy in the wake of the economic crises. The lectures in the present book are arranged thematically and sequentially to trace the route travelled by India with respect to these economic reforms. The lectures in the book deal with some selected policy issues in the Indian economy in the context of the ongoing macro-economic reform programme. The policy issues covered in the book through various lectures are : monetary policy, financial sector policy, banking technology and rural credit, external policy and the state and the market.

**Arrangements for Ways and Means Advances to the Government of India for the financial year 1998-99 (April 1, 1998)**

The arrangements for the fiscal year 1998-99 in respect of Ways and Means Advances (WMA) to the Government of India and the rate of interest are:

(a) The limit for WMA will be Rs. 11,000 crore for the first half of the year (April to September) and Rs. 7,000 crore for the second half of the year (October to March).

(b) Effective April 1, 1998, the interest rate on shortfall in minimum balance as well as WMA will normally be at Bank Rate and on overdraft at Bank Rate plus two percentage points.

(c) In extraordinary circumstances, a special rate below that of the Bank Rate may be made applicable as in the current dispensation to

Ways and Means Advances to the State Governments. Thus, effective April 1, 1998, the interest rate on shortfall in minimum balance, WMA and overdraft will be as under:

|  | Rate per cent<br>per annum                             |
|--|--|
| (i) Shortfall in the<br>minimum<br>balance                       | 9.0<br>(Bank Rate<br>minus 1.5<br>percentage<br>point) |
| (ii) Ways and Means<br>Advances                                  | 9.0<br>(Bank Rate<br>minus 1.5<br>percentage<br>point) |
| (iii) Overdrafts beyond<br>the Ways and Means<br>Advances limits | 11.0<br>(Bank Rate plus<br>0.5 percentage<br>point)    |

**RBI clarification on Bonds of Financial Institutions (April 1, 1998)**

It has been reported in a section of the press today that the Reserve Bank of India has introduced new restriction on issue of bonds by all India term-lending and refinancing institutions.

It is clarified that the instructions issued by the Reserve Bank on March 26, 1998, have, in fact, liberalised the procedure applicable for financial institutions (FIs) in respect of issue of long-term bonds. Under these instructions, in respect of bonds of maturity of five years and above, in place of seeking case by case approval of the Reserve Bank, FIs have now been given general approval to issue such bonds provided

they meet the following requirements:

a) bonds are without special features like options, etc.

b) the interest rate on such bonds is not more than 200 basis points above the yield on Government of India securities of equal residual maturities at the time of issuing bonds.

In order to provide uniform treatment to all FIs, existing Reserve Bank regulations in respect of issue of bonds will also now apply to statutory bodies (e.g., Industrial Development Bank of India, Export-Import Bank, Small Industries Development Bank of India, National Bank for Agriculture and Rural Development and National Housing Bank) as in case of bodies

registered as public limited companies (e.g., Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, Industrial Investment Bank of India and Tourism Finance Corporation of India).

Except for the above, no new restriction has been imposed in respect of issue of bonds by FIs.

#### **RBI reduces Bank Rate to 10 per cent (April 2, 1998)**

The Reserve Bank of India has reduced the Bank Rate by one half of one percentage point, i.e., from '10.5 per cent per annum' to '10.0 per cent per annum' with effect from the close of business on April 2, 1998.