



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2266 0358

PM Releases Fourth Volume of RBI History (1981-1997)

Dr. Manmohan Singh, the Hon'ble Prime Minister, released the [fourth volume](#) of the Reserve Bank of India's history at a function held today in New Delhi. Jointly published by the Reserve Bank and the Academic Foundation, the volume covers the momentous 16-year period from 1981 to 1997. With this volume, the Reserve Bank of India has now updated its history up to 1997. The Reserve Bank had initiated the process of preparation of this volume in 2009 under the guidance of an Advisory Committee chaired by Dr. Bimal Jalan, former Governor of the Reserve Bank.

The volume documents the institutional history of the Reserve Bank based on official records, publications and discussions with persons closely associated with the functioning of the Reserve Bank during the period. Published in two parts, Part A and Part B, Volume 4 covers transformation of the Indian economy from restrictions to progressive liberalisation and captures the implementation of structural and financial sector reforms. It thus envelopes the tenures of six Governors - part of Dr. I.G. Patel's tenure to begin with, and covering Dr. Manmohan Singh, Shri A. Ghosh, Shri R.N. Malhotra, Shri S. Venkitaramanan and ending with the tenure of Dr. C. Rangarajan. Interestingly, it includes both, the period between 1982 and 1985 when the Hon'ble Prime Minister himself was the Governor of the Reserve Bank as well as 1991 to 1996 when he was India's Finance Minister.

[Welcoming the dignitaries on the occasion](#), Dr. D. Subbarao, Governor, Reserve Bank of India said that the period covered by the fourth volume of RBI history was by far one of the most challenging times for India's economy. Referring to the question 'Does history repeat itself?', the Governor said that "...at least in matters of economics and finance, history repeats itself, not because it is an inherent trait of history, but because we don't learn from history and let the repeat occur." He also wondered about how history might judge the Reserve Bank on some of the current debates, such as, on growth-inflation balance and fiscal dominance of monetary policy and clarified that "The

Reserve Bank was committed to inflation control, not because it did not care for growth but because it did care for growth."

In conclusion, he said that on the way forward, the challenge for Governor-Designate Dr. Raghuram Rajan will be, "How you will use your formidable intellect, scholarship and global experience to shape the Reserve Bank as a knowledge institution that will set standards for how an emerging economy central bank should manage macroeconomic policy in a globalising world."

Expressing his satisfaction about the timely completion of the volume, Dr. Bimal Jalan, Chairman of the Advisory Committee for Volume 4 of the Reserve Bank's history stated that the history covers a period when Dr. Manmohan Singh pioneered establishment of relative autonomy of the Reserve Bank in Monetary Policy making and that it was a great coincidence that it was Dr. Singh who was releasing the volume. Dr. Jalan also said that the Reserve Bank's history was 10 per cent its own history and 90 per cent history of the country's economy and thus a treasure trove for research on the economic development India.

[In his remarks](#), Hon'ble Prime Minister Dr. Manmohan Singh fondly recalled his association with the Reserve Bank and said that the Reserve Bank has served the country with great distinction in shaping the monetary and credit policy, especially in directing credit to rural areas but its best is yet to come. He wished Dr. Subbarao the best and said, "he has served the Reserve Bank and our country with great devotion." He then extended a hearty welcome to his successor, Dr. Raghuram Rajan and said, "In him, we have a very distinguished economist of international fame. I sincerely hope that the Reserve Bank of India will see a more glorious period under his Governorship."

Background

Established in 1935, the Reserve Bank of India is one of the oldest central banks in the developing world. Its journey since its inception and up to the span covered by Volume 4 is marked by several notable events. The Great Depression of the 1930s, the World War II and the associated challenges; introduction of Bretton Woods system in 1944 (and its failure in 1971), the oil price shocks of the 1970s and the Third World debt crisis of the 1980s were some of the significant events globally. On home front, there were historic happenings, such as, the aftermath of two World Wars; the launch of the planning era; devaluation of the rupee in 1966; bank nationalisation in 1969; the

balance of payments crisis in 1991 and the resultant economic reforms that ushered in a new era of liberalisation in the Indian economy.

During these challenging times, India witnessed transformation of its economy from a regime of restrictions to progressive liberalisation and growth. The decade of 1980s was marked by an expansionary fiscal policy accompanied by the automatic monetisation of budgetary deficit, constraining the conduct of monetary policy. The banking system, a dominant component of Indian financial system, was beset with the problems of high cost and inefficiency. External sector had deteriorated in the second half of 1980s. The decisive event of the times was the balance of payments crisis of 1991, which had resulted from a build-up of macroeconomic imbalances in the domestic economy and deteriorating external situation. This prompted the Government to undertake comprehensive economic reforms and unleash the era of liberalisation that characterised a paradigm shift in the economic management of the country. The Reserve Bank co-ordinated the implementation of structural reforms and financial sector reforms with the Government.

The decade of 1990s was notable for exchange rate liberalisation, fiscal consolidation and phasing out of automatic monetisation; development of government securities market; greater integration among money, securities and foreign exchange markets; transforming Indian banking system by liberalising and improving credit delivery mechanism and laying emphasis on safety and prudential norms. Reforms encompassed different sectors which resulted in far reaching changes not only in the Indian economy but also in central banking. During this period, the Reserve Bank was able to keep inflationary pressures under check in a period marked by large inflows of foreign funds. The organisational structure of the Reserve Bank also saw transformation in response to domestic necessities and international developments. It undertook technological changes and upgraded its systems and procedures to effectively manage its operations.

Alpana Killawala

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Principal Chief General Manager

1.	PM releasing the fourth volume of RBI History today
2.	Photo of the function of release of Volume IV of "History of RBI"