

## Preface

*The Reserve Bank of India Volume 5* covers the eleven-year period of 1997–2008. This is an institutional history of the RBI and thus records developments in policies and operations in its major functional areas. The time period covered in this volume is unique as it was flanked by two major crises in the international economy. The RBI not only responded to the underlying developments and challenges but also took upon itself the remarkable role of the leader in initiating reform measures in several critical areas. These included rationalising and strengthening of monetary policy operating instruments, namely institution of the Liquidity Adjustment Facility (LAF) and the Market Stabilisation Scheme (MSS), establishment of financial market institutions (for example, Clearing Corporation of India Ltd.) and building up of payment system infrastructure (for example, Real Time Gross Settlement System, Delivery versus Payment, Negotiated Dealing System, Electronic Clearing Service, and so on), putting in place firm and sound legal structure for providing flexibility yet ensuring clear outcome and accountability (for example, Foreign Exchange Management Act, 1999, Government Securities Act, 2006, Payment and Settlement Systems Act, 2007, and so on), consolidating and strengthening the banking and non-banking sectors, improving the rural credit system and the financial inclusion. Thus, one may say that much of the plumbing was done during this period on which the present-day modern system stands. In the process, however, this volume documents the evolution of the RBI itself.

Another distinguishing feature of this period was that it was characterised by a stable relationship between the government and the RBI though some differences surfaced during the latter part in such policy areas as monetary management, exchange rate and reserve management, and the quality of capital flows without having any bearing on the macro-economic stability.

The journey of preparation of this Volume 5 had been a fascinating one. It was prepared by a team of consultants under the guidance of the author Professor Tirthankar Roy of London School of Economics. The focus had been on capturing the core areas of public policy interface of the RBI with the functions

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of other non-core service departments kept to the minimum. The endeavour had been to prepare an authentic, objective and unbiased account of the RBI's major functions backed fully by documentary evidence without making any value judgement. This effort was suitably supplemented by incorporating the inputs from the transcripts of structured oral evidence recorded with select dignitaries to impart the nuances as well as credibility to the RBI's history.

The size of the volume was a matter of concern to us. In our effort to weigh between easier-to-hold-the-volume and the need to record the history of the RBI as the most important public policy institution in the country, we considered that a size of about 700 pages would be a good compromise.

This volume was completed within the stipulated time of three years which included collection of thousands of files spread across major departments in the Bank, completion of interviews of select dignitaries, copy editing, finalisation of fifteen chapters and, finally, printing of this volume.

I owe special gratitude to the then Governor Dr Urjit R. Patel for not just entrusting me with this opportunity but also for affording complete freedom in terms of both access to official records and the ability to take our stand, besides supporting this project in every possible way.

I am obliged to the then Deputy Governor Dr Viral V. Acharya and the then Executive Director and now Deputy Governor Dr M. D. Patra not only for their guidance but also for bearing with us for resolving occasional challenges that are bound to arise for a project of this complexity and scale.

I am immensely indebted to Smt. K. J. Udeshi, former Deputy Governor and a member of the Advisory Committee, for lending her vast experience combined with her strong sense of prudence to bear upon this volume. She also led the process very commendably when I had become indisposed for a brief period. Without her guidance, this volume would not have attained the status that it has strived for. Dr Niranjan Rajadhyaksha, Research Director and Senior Fellow, IDFC Institute, was the other member to whom I veered to strengthen the balance between insiders and outsiders so that we would have the benefit of a pair of external eyes to balance the insiders' disposition. I am very grateful to him.

We are fortunate to have Professor Tirthankar Roy as the author of this volume. He not only placed his distinct stamp on all chapters by making them a dispassionate account of the RBI's functions but also made the text more lucid and reader friendly.

No amount of appreciation would be enough for the four consultants, namely Shri N. Gopalaswamy, Shri K. Kanagasabapathy, Shri F. R. Joseph and

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Shri S. V. S. Dixit, for putting together extraordinarily diverse material taken from thousands of files into a more cogent shape.

I would like to thank all the dignitaries, namely Dr C. Rangarajan, Dr Bimal Jalan, Dr Y. V. Reddy, Dr D. Subbarao, Dr Vijay Kelkar, Shri M. S. Ahluwalia, Dr Shankar Acharya, Dr Surjit Bhalla, Dr Indira Rajaraman, Smt. Shyamala Gopinath, Smt. Usha Thorat, Shri V. Leeladhar and Dr S. L. Shetty, for positively responding to our invitation for interviews.

This volume would not have been possible without the support from all central office departments and the RBI Archives, Pune, in the form of sharing of the files and documents.

Finally, the History Cell. With very limited staff, the Cell performed exceptionally well with not just co-ordinating with all Advisory Committee members, author and consultants almost on a daily basis but also for keeping constant dialogue with vast swathes of departments in the RBI in procuring files and meeting our innumerable queries, successfully completing the recording of oral interventions of dignitaries and finally arranging printing of this volume. We thank the entire team led by Shri Amitava Sardar, Adviser until his retirement in October 2017 and thereafter as consultant, and Shri A. Karunakaran, Director, for their strong sense of sincerity and commitment.

We sincerely hope that this volume would supplement the past four volumes in meeting the quest for understanding the challenges of the central bank of an emerging market economy while opening up in terms of regulation, supervision and institution-building in an environment of financial stability.

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