

PREFACE

When the Governor of the Reserve Bank consulted me regarding the value of compiling a history of the Bank, I welcomed the Bank's initiative. When he invited me to be Chairman of the History Committee, with three distinguished colleagues, apart from the Member-Secretary, I readily consented. For with my long association with the Bank, first as Government Director, Secretary, Deputy Governor and Governor and later as Union Finance Minister, extending over a period of seventeen years from 1939, I considered it my duty to give such assistance as I could to what I considered was a worthy project. Actually, the chairmanship of the Editorial Committee to compile an authentic and comprehensive history of the Reserve Bank of India has been for me an extremely interesting and responsible assignment.

Perhaps I should mention at the outset that the Bank gave the Committee complete freedom as regards the scope, the pattern and size of the volume. In turn the Committee gave the fullest freedom to the Officer entrusted with the compilation of the history, Shri S. L. N. Simha (who, incidentally, was among the first batch of Officers I recruited for the Bank's Department of Research and Statistics, in 1945). Our endeavour has been to compile a history that is comprehensive, authentic, accurate and objective while at the same time scholarly and eminently readable, so that it may have the widest possible appeal to those interested. Since the History Committee comprised mostly persons who have had close associations with the Bank, we took special care to ensure that the facts given or quotations cited served these objectives, irrespective of any possible unpleasantness or embarrassment to the individuals concerned.

At its first meeting held towards the close of March 1968, the Committee reached decisions on the scope of the history and its work programme. For the objectives in view the Committee did not consider it necessary to attempt any systematic assessment of the Bank's working. All that it attempted as a matter of duty to the public was to place all the relevant material before the readers in a manner that would readily

assist them to form their own judgement. For this purpose, the Committee decided to give, wherever relevant or interesting, the comments of the press, university professors and concerned interests like cooperative institutions, on the important developments in the Bank, so that the History contains not merely the official point of view but also what might be called an indication of representative public opinion.

It was agreed that Shri Simha would circulate the synopsis of individual chapters to members of the Committee and later the drafts of the chapters. The drafts of the individual chapters were considered in detail-in fact, page by page-at the various meetings of the Committee. The Committee's suggestions regarding modification of substance and arrangement as well as language were incorporated by Shri Simha, who circulated a revised draft in each case for the Committee's final approval some of these drafts were considered again at a Committee meeting. The Committee held in all ten meetings, in Bombay, New Delhi and Hyderabad. Our continuous concern has been to conduct our deliberations in a spirit of academic detachment and objectivity combined with a judicious pragmatism. It is my hope that the readers will share our views that the Committee has succeeded in setting up the very high standards that a compilation of this nature calls for.

Perhaps I should make some observation on the scope of the volume. Readers will note that we have given a brief and yet comprehensive account of the developments in money, banking and exchange in India for almost a century prior to the establishment of the Bank in 1935. This we regarded as essential to an understanding of the rationale of the central bank for India. We have also given a very detailed history of the efforts to establish a central banking institution in India, leading to the passage of the necessary legislation in 1934. Perhaps very few central banking Statutes have a longer period of gestation than that of the Reserve Bank of India ; it is hoped that the readers will find the description of the Statute in Chapter 3 of special interest.

It is not entirely fortuitous that this piece of legislation immediately preceded the Government of India Act, 1935. The course of the historical developments that were leading to India's independence, and to consequential new set-up of Government, was held up by World War II. But by that time the Reserve Bank of India, with substantial non-official

participation and control had already been in existence for some years and was in a position to watch vigilantly India's interests in the vital monetary sphere, as also to handle complex technical problems like exchange control after the actual outbreak of war. What is more, it had already matured enough to make a significant contribution in the new world of international finance, in which the two special agencies of the United Nations, viz., the World Bank and the International Monetary Fund, were to take their place and towards joining which India had to take a decision. This decision, the Bank influenced materially. India's membership has helped in innumerable ways³ beginning with the postwar development of her currency and the advance of the first development loans. The Bank also gave valuable technical assistance in straightening out the numerous currency tangles arising out of the partition.

The period of sixteen years covered in this volume divides itself into three distinct sub-periods, namely, 1935-39 (the formative years), 1939-45 (the war years) and 1945-51 (the post-war years). The treatment of the matter is both chronological and subject-wise. Extracts from official papers have been given extensively not only for the benefit of the scholar but also that of the general reader.

I must say a final word regarding the size of the volume. Perhaps it will be a matter of some surprise to many that a sixteen year history should have run into over 850 pages. The Committee took the view that the account of the Bank's working must be sufficiently detailed to be of some practical use to those on whom may fall the responsibility of shaping and administering India's monetary policy in the years to come. Moreover, on several aspects of the Bank's functioning in those years the public have had inadequate information. Further, a briefer volume would have done scarce justice to the rich material available on the subject. Also, in describing the numerous developments, for instance, the Reserve Bank's advice on the International Currency Plans, we have given considerable background material for a clear understanding of the issues involved. Finally, in judging the size of the volume, readers will take into account the fact that this is something more than a history of the Reserve Bank and that it is also, to some extent, a financial history of India.

On behalf of the Committee I wish to thank the Governor of the Reserve Bank for associating us with this interesting and important work and for his hospitality to us.

The satisfactory completion of our task owes a great deal to the remarkable capability, diligence and dispatch of the Member-Secretary, Shri S. L. N. Simha. My other colleagues and I should like to record here our great appreciation of his consistently competent work in this assignment.

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C. D. DESHMUKH
Chairman, Editorial Committee.