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Managing the Bank

The initial organization and office structure of the Reserve Bank of India was detailed in the first volume of the Bank's history, spanning the period 1935–51. The second volume, relating to the period 1951–67, did not dwell specifically on the subject. In this chapter, an attempt has therefore been made to narrate the major developments in regard to the Bank's in-house management from 1951, with emphasis on the years 1967–81.

With the introduction of development planning and expansion of state-driven economic activities in the early 1950s, the Reserve Bank's role widened to include functions that went beyond the traditional areas. To meet the increasing responsibilities, often in uncharted areas, Government of India expanded the management team of the Bank. The number of Deputy Governors was raised from two to four—one in 1955 and another in 1964. The number of Directors on the Central Board of the Bank was also increased in 1964. Excluding the Governor, Deputy Governors and the government nominee, the Central Board was to have fourteen Directors as against ten in the earlier years. To reduce the work pressure on the Governor and Deputy Governors, the position of Executive Director (ED) was created for the first time in 1950, and the first person to hold it was B. Venkatappaiah, an ICS officer from Bombay. The management of the Bank comprised the Governor and the Deputy Governors assisted by the Executive Director and heads of different departments. As stated in the Reserve Bank of India Act, 1934, in the absence of the Governor, a Deputy Governor nominated by him would have all the powers that the Governor would wield, but, as Section 7(2) of the Act states: 'The general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank.'

MANAGEMENT

Governors and Deputy Governors

During 1951–81, there was a large turnover of Governors in the Reserve Bank: as many as eleven Governors in a matter of thirty years. Of these, seven Governors—B. Rama Rau, H.V.R. Iengar, P.C. Bhattacharyya, L.K. Jha, S. Jagannathan, K.R. Puri and I.G. Patel—were appointed on a regular basis but their initial terms of appointment varied from five years (Rama Rau, H.V.R. Iengar, P.C. Bhattacharyya and L.K. Jha) to one year (K.R. Puri). B. Rama Rau had the longest tenure, of about seven-and-a-half years. He was initially given a term of five years, which was extended first by one year and then again by two years. K.R. Puri was first given a term of one year; this was extended by two years but he did not complete the extended term. He had a short tenure of one year and nine months. L.K. Jha was appointed as Governor for a period of five years but he relinquished his office in less than three years to take over as India's Ambassador to the United States at Washington DC. S. Jagannathan and I.G. Patel relinquished their offices a few weeks before the completion of their terms of five years each. The remaining four Governors—K.G. Ambegaonkar, B.N. Adarkar, N.C. Sen Gupta and M. Narasimham—were appointed on the clear understanding that they would occupy the position temporarily till regular appointments were made. Their terms ranged from forty-two days (B.N. Adarkar) to seven months (M. Narasimham). K.G. Ambegaonkar and B.N. Adarkar were Deputy Governors when they were elevated to the post of Governor. N.C. Sen Gupta and M. Narasimham came from the Banking Department, Ministry of Finance, although Narasimham was with the Reserve Bank prior to his secondment to the Ministry of Finance in the early 1970s. Excepting K.R. Puri, all the Governors were directly or indirectly associated with the RBI before they became Governors. Most of them had been on the Bank's Central Board. Prior to their appointment, H.V.R. Iengar and P.C. Bhattacharyya had had exposure also to commercial banking.

The Governor of the Bank is the Chairman of the Central Board of Directors. He enjoys full powers of superintendence and direction of all the affairs and business of the Bank, the details of which are provided in the following sub-section. More importantly, he enjoys a privileged position in the financial system. Although the Governor has not been accorded any place of significance in the official warrant of precedence, he is given a very high place in official functions. The RBI Act does not contain any qualification for the post of Governor.

Most of the Governors, particularly those from the Indian Civil Services, came to head the Bank at the fag end of their careers. In 1968, Madhu Limaye raised the issue in the Parliament about the appointment of civil servants as Governors. Morarji Desai, Deputy Prime Minister and Finance Minister, gave an assurance that in the future civil servants would not be appointed as Governors. The government, however, did not keep this promise and L.K. Jha was succeeded by S. Jagannathan, another civil servant. In 1974, Madhu Limaye stated in Parliament:

> I had suggested several times to Mr Morarji Desai, when he was the Finance Minister, that it was wrong to continue to appoint the ICS officers as Governors of the Reserve Bank. Appoint as Governor only experts who have sound knowledge of fiscal and monetary policies. However, the Government has not so far taken any policy decision in this regard. I would, therefore, request Sushilaji … to clarify on this point … and to state that in future no ICS and IAS but only experts will be appointed as Governors of the Reserve Bank.

Former Governor I.G. Patel expressed a similar view in an interview with a newspaper columnist in 1993 when he said rhetorically: 'Why the Governor of RBI should … nearly always come from the secretaries of the Ministry of Finance? Why not a worthy academician or even a successful businessman who has the understanding? I think we need to bring a new spirit.'[1] An exception, however, was made in the case of K.R. Puri, who was neither Secretary in the Finance Ministry nor an expert in macroeconomic matters. In fact, Puri came from the insurance sector. There was a difference of opinion between Prime Minister Indira Gandhi and Finance Minister C. Subramaniam over his appointment. While the Finance Minister had considered economists and/or economic administrators like I.G. Patel, Narayan Prasad, S.R. Sen and M.G. Kaul as possible names for the post of Governor, the Prime Minister proposed the name of K.R. Puri, chairman, Life Insurance Corporation (LIC) of India for the Governorship. As a compromise, his appointment was deferred by three months, during which period N.C. Sen Gupta held the charge. Sen Gupta took over as Governor a few days before the declaration of the 'Emergency'. Puri's appointment

[1] I.G. Patel's interview to Subir Roy, published in the *Business Standard* on 10 December 1993.

order was issued upon Sen Gupta completing three months as Governor during the 'Emergency', and the Appointment Committee of the Cabinet was informed subsequently.

While RBI Governors generally enjoyed considerable autonomy in their working, on certain occasions, the position of the Governor was undermined. B.K. Nehru, in his book, *Nice Guys Finish Second*, wrote:

> The Governorship of the Reserve Bank was also an office which was going to fall vacant in a few months as Paresh Bhattacharyya's term was about to come to an end. Sachin Chaudhuri had wanted to know whether I would like the job and I had said no. Before him, TTK had done the same and received the same negative answer. And then Morarjibhai, who was already slated to become Finance Minister and Deputy Prime Minister, not only offered the job to me but wanted me to take it. The reason why I had so far refused this was the lack of independence of the Governor. I explained to him that the great battle between TTK and Rama Rau, which the latter lost, had made it clear that the Governor was a subordinate of the Ministry of Finance. Even as Joint Secretary, I used to issue orders to the Reserve Bank. I did not cherish the idea of my juniors ordering me about. Morarjibhai assured me that he would give me as much autonomy as I wanted and that the Governor's position in the warrant of Precedence—which at that time was exceedingly low—would be raised to an appropriate level. While I told him that I did not think he would be able to give me the autonomy I needed, I did certainly toy with the idea of taking that job if the Deputy Chairmanship of the Planning Commission was not available.

The question of the autonomy or independence of the Reserve Bank was raised in the Parliament during the debate on the RBI (Amendment) Act, 1974. Madhu Limaye, MP, in his intervention, stated:

> The second point of deep concern is that this Government has completely usurped the autonomy of the Reserve Bank. I would like to invite your attention to a strange incident that had happened at the Joint Parliamentary Committee of the Financial Institutions. Reserve Bank Governor Shri S. Jagannathan, who is an ICS, had come to give evidence before the Committee. I put a straight question to him as to whether he had submitted

> his views about this Act to the Government and if so, whether he had any objection to the basic principles of this Act. Reserve Bank Governor who had come to give evidence stated that he would reply to my question after consulting the Government and obtaining their permission. Thus, not only did he insult the Joint Parliamentary Committee but it also reflects the psychology of the Reserve Bank's Governor.

This perception about the Governor was the personal view of Madhu Limaye but it was shared by a number of persons who were contacted for oral discussions on an understanding that their names would not be divulged.

While autonomy in decision-making was in principle cherished by all the RBI Governors and also by numerous academics, the Governors in general showed considerable understanding of the limitations of their office and coordinated their efforts with those of the government for promoting public welfare. Some accepted relatively low salaries essentially to keep in line with the salaries paid in the government, and agreed to have minimal facilities.

There were only two Deputy Governors till 1955 as per the legal provisions of the Reserve Bank of India Act. The need for an additional Deputy Governor arose when the *Rural Credit Survey Report* recommended that the Bank should pay attention at the high management level to issues relating to expansion of rural credit. Following this recommendation, Governor Rama Rau took up the matter with the Finance Minister, on 23 May 1955, of amending the Reserve Bank of India Act and of creating an additional post of Deputy Governor. It was agreed between him and the Minister that the third Deputy Governor should be B. Venkataippiah, who was then Exe-cutive Director in the Reserve Bank and concerned with the Rural Credit Survey. The position of a fourth Deputy Governor was created when the Industrial Development Bank of India (IDBI) was established on 1 July 1964, for appointment as vice chairman of IDBI. B.K. Madan, Executive Director in the Bank, became the fourth Deputy Governor from 1 July 1964. He was in charge of IDBI and the Industrial Finance Department (IFD) of the Bank.

As per the Reserve Bank of India Act, Deputy Governors are appointed for a period of five years but they can be given further extension. In some cases, Deputy Governors appointed for a term of five years were given an extension on completion of their tenure, whereas in some other cases, the appointments were for a shorter duration.

Madan relinquished the office of Deputy Governor on 31 January 1967 to become India's Executive Director at the International Monetary Fund (IMF). B.N. Adarkar, a professional economist from the central government, joined the Reserve Bank as Deputy Governor on 16 June 1965, for a term of five years. Adarkar was appointed as Governor when L.K. Jha, who was Governor, left the Reserve Bank to take up an assignment as India's Ambassador to the USA. He was Governor for only a short period—from 4 May 1970 to 15 June 1970. When S. Jagannathan became the Governor, Adarkar retired from the Bank. He was known mainly for his association with the Department of Banking Operations Development (DBOD) and the Exchange Control Department (ECD).

A. Bakshi, from the Ministry of Finance, was appointed as Deputy Governor on 24 January 1967, for a period of five years. He was given lien of service in the government till the completion of qualifying service for entitlement to government pension. Bakshi left the RBI in September 1969 to take over as Secretary in the newly created Banking Department in the Ministry of Finance. He was also vice chairman of IDBI in place of B.K. Madan.

J.J. Anjaria, an economist from the Reserve Bank, was appointed as Deputy Governor from 1 February 1967 for a term of three years; he retired on 28 February 1970. He was in charge of the Economic Department and Statistics Department.

P.N. Damry was appointed as Deputy Governor on 13 February 1967, for a period of five years. After completion of his term he was given an extension of five years. However, he left the Reserve Bank on 15 March 1973 to take up an assignment in the World Bank. Damry was in charge of administration and Agricultural Credit Department (ACD).

R.K. Hazari was appointed as Deputy Governor on 27 November 1969, for a term of five years. His term was later extended by three years, up to 26 November 1977. Hazari was an academic, an economist and a financial journalist. He took a very active interest in the development of banking in the post-nationalization period. He was in charge of ARDC and took keen interest in the expansion of credit to the agricultural sector through formulation of new strategies. He also led the research activities in the Bank.

V.V. Chari joined the Reserve Bank as Deputy Governor on 17 November 1970 and remained in that position up to 30 November 1975. He was vice chairman of IDBI. S.S. Shiralkar, from the Ministry of Finance, was appointed as Deputy Governor on 18 December 1970 and retired on 17 December 1975. Shiralkar was in charge of DNBC.

R.K. Seshadri, from the Ministry of Finance, joined the Reserve Bank as Executive Director and was elevated to the post of Deputy Governor on 26

July 1973, for a term of three years. Seshadri played an active role in public debt and open market operations. He also took an interest in streamlining accounts in the Bank.

K.S. Krishnaswamy, who joined the Reserve Bank as a research officer in 1952, became Deputy Governor on 29 December 1975 for a period of five years. His term was further extended up to 31 March 1981. Krishnaswamy, as the person in charge of the Economic Department, Department of Statistics, Credit Planning Cell and DBOD, played an important role in formulating policies and anti-inflation packages in critical years.

P.R. Nangia, an officer from the Reserve Bank, was made Deputy Governor on 29 December 1975 for a term of five years and continued further up to 15 February 1982. At the time of appointment of P.R. Nangia as Deputy Governor, the name of C.D. Datey, Executive Director of the Bank and in charge of the ACD, had also surfaced. Datey was a well-known expert in agricultural credit and played a vital role in the development of the rural credit structure in the country, particularly cooperative credit institutions.

In 1975, Governor K.R. Puri recommended to the government the names of Krishnaswamy and P.R. Nangia, both Executive Directors, for appointment as Deputy Governors against the vacancies caused by the retirement of V.V. Chari and S.S. Shiralkar. Puri did not recommend Datey, who was senior to P.R. Nangia, on the ground that he was on extension of service beyond 58 years of age. However, Finance Minister C. Subramaniam noted the confidential reports on Datey, which were obtained from the Bank at his instance. He approved the proposal of the Secretary (Banking) to appoint Krishnaswamy and Datey as Deputy Governors—for a full term of five years in the case of Krishnaswamy and a reduced term of three years for Datey. However, when the proposal was put up to the Appointments Committee of the Cabinet (ACC), it approved the names of Krishaswamy and Nangia, Nangia with replacing Datey.

J.C. Luther, who came to the Reserve Bank as an officer on special duty, was promoted as Deputy Governor on 4 January 1977. However, he resigned and went back to his parent department, viz. Revenue Services, on 1 June 1977. M. Ramakrishnayya, from the Indian Administrative Service, was appointed as Deputy Governor from 2 January 1978 for a term of five years.

Central Board of Directors

Under the Reserve Bank of India Act, 1934, the general superintendence and direction of the affairs and business of the Bank was entrusted to the

Central Board of Directors.[2] Under the Act, the Governor was also given powers of general superintendence and direction of the affairs and business of the Bank. After nationalization of the Reserve Bank on 1 January 1949, it was realized that the Governor's powers as envisaged in the Act were not adequate to meet an emergency situation. It was argued, in the Exchange Bank's case, that as per the relevant provisions of the Act that existed prior to 1951, the Governor could only transact the authorized business of the Bank cited in Section 17 of the Act, and Section 7(3) did not authorize the Governor to substitute for the Central Board. The Reserve Bank of India Act was therefore amended to ensure that the acts of the Governor, under relevant provisions of the Act, on behalf of the Bank remained above any question in a court of law. Substitution of the words, 'the Bank' for the words 'Central Board' in Section 18 was found to be logical and necessary to empower the Governor to take appropriate decisions under this Section.

Accordingly, the following amendments were effected in the RBI Act. First, Section 7(3) was amended in 1951. As per the amended provision, the Governor and, in his absence, the Deputy Governor nominated by him on his behalf, shall have 'full powers of general superintendence and direction of the affairs and business of the Bank' and 'exercise all powers and do all acts and things which may be exercised or done by the Bank'. Second, Section 18 was amended to replace the words, 'Central Board' with the words 'the Bank', to enable the Governor to take appropriate decisions independently when warranted. Third, Section 58(2)(h) of the Act, relating to delegation of the power and functions of the Central Board to the Governor, Deputy Governors, Directors or officers of the Bank, was amended in 1953 to delete the word 'Governor' so that the Governor need

[2] Immediately after nationalization of the Reserve Bank of India on 1 January 1949, the Bank's Central Board and local boards became non-functional as the terms of the directors and members of the local boards automatically lapsed. With the announcement of the names of directors and members of the newly constituted Central Board and local boards, respectively, on 15 January 1949, the Central Board and local boards became functional from that date. The first meeting of the Central Board after nationalization was held on 31 January 1949. Between 1 January and 15 January 1949, the powers and functions of the Board were exercised by the Governor/Deputy Governor, in terms of Section (5) of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948, which empowered the Governor or, in his absence, the Deputy Governor, to exercise all powers, pending constitution of the Central Board. With the reconstitution of the Central Board on 15 January 1949, the transitory provision in Section 5 of the Act came to an end.

not seek delegation/authorization from the Central Board on any matter. The Governor could exercise powers to nominate a Deputy Governor to act on his behalf in his absence.

After nationalization of the Bank and the transfer of its entire share capital to the central government, the government assumed the powers to appoint the Governor, Deputy Governors and Directors of the Central Board, and members of local boards. The Governor and Deputy Governor 'shall hold office' for a term 'not exceeding five years', as fixed by the central government. When the RBI was set up in 1935, the RBI Act had provided for ten Directors of the Central Board besides the Governor, two Deputy Governors and a government nominee. When the Bank was nationalized, the number of Directors on the Central Board remained unchanged at ten but, in 1964, it was raised to fourteen.

The RBI Act did not prescribe any criterion or qualification for appointment of Directors on the Central Board. The Central Board was usually broadbased with equitable regional representation and with persons from diverse fields, such as trade, industry, economics, law, the judiciary, science and technology, etc., as Directors. During 1951–81, the Reserve Bank had the privilege of having on its Central Board, eminent persons like B.M. Birla, Professor Bhabatosh Datta, Professor M.L. Dantawala, Professor D.R. Gadgil, Justice P.B. Gajendragadkar, Professor A.M. Khusro, Professor D.C. Kothari, S.L. Kirloskar, Kasturbhai Lalbhai, B.N. Mukherjee, Meherchand Mahajan, V.S. Tyagaraja Mudaliar, N.A. Palkiwala, Professor K.N. Raj, Sir Shri Ram, C.R. Sreenivasan, Dr Triguna Sen, J.R.D. Tata, Sir Purshotamdas Thakurdas, P.L. Tandon and Professor C.N. Vakil, to name a few. As the Central Board could not meet frequently enough to perform its function, a Committee of the Central Board was set up, that met every week. The Board was assisted by two sub-committees, viz. a staff sub-committee that looked into staff requirements, keeping in view the productivity and efficiency of the staff, and a building sub-committee that looked into the acquisition and construction of buildings, repairs, etc.

On some occasions, the central government gave guidance to the Governor on the composition of the Board. S.S. Shiralkar, Additional Secretary, Ministry of Finance, in a letter dated 18 May 1967 to Governor P.C. Bhattacharyya, mentioned that Deputy Prime Minister Morarji Desai had suggested, in filling up future vacancies on the boards of the Reserve Bank and the State Bank of India, that more emphasis be paid to appointing economists, retired bank officials, etc. It would be useful to have a few businessmen on the boards in order to have the benefit of their experience but they should be in a minority. With this in mind, the Minister would like a panel to be made of persons considered suitable for appointment to the boards.

Though there was no provision in the RBI Act for reservation of vacancies in the Central Board/local boards for minority communities/scheduled castes/scheduled tribes, etc., social objectives were not ignored while nominating Directors/members. Governor Iengar, in a letter dated 27 August 1958 to Rangachari, Special Secretary, Ministry of Finance, mentioned that it was desirable to appoint as a member someone from the Muslim community, and recommended the name of Col. B.H. Zaidi, vice chancellor of Aligarh Muslim University, for the position. Government of India appreciated the idea and nominated Col. Zaidi as a Director of the Central Board. On his subsequent resignation from the Board, another Muslim candidate, Professor M. Mujeeb, was nominated against the vacancy. In September 1974, the Ministry of Finance specifically wrote to the RBI Governor asking him to suggest names of suitable persons belonging to scheduled castes/scheduled tribes, for consideration for appointment on the Central Board/local boards.

During the debate on the RBI (Amendment) Bill, 1974, in the Parliament, there was a demand from some members for representation of employees of the Bank on the Board of Directors. In the exchange between Ramavatar Shastri, Member of Parliament, and Sushila Rohatgi, Deputy Minister, Shastri referred to her statement that Board members should know about credit and monetary matters as an insult to the labour community, and asserted that the leaders of the Bank Employees Association understood credit policy better than the Directors. Sushila Rohatgi, in her reply to Shastri's point regarding inclusion of employees on the Board of Directors of the Reserve Bank, clarified that she did not mean to belittle the employees. On the contrary, employees were included on the boards of the nationalized banks and there was an advantage in doing so. However, in so far as the Reserve Bank was concerned, experts in economic estimations and monetary stability should be on the Board of Directors. She pointed out that the earlier Directors of the Reserve Bank of India had mostly been from industry and trade, while presently, they included economists, agriculturists, lawyers and jurists. She also pointed out that when the question of inclusion of workers' representatives in the Central Board of Directors of the Reserve Bank of India came up, the concerned representative had to leave because of opposition from his own party. There was therefore no workers' representation in the Central Board.

Although the Act did not mention Directors' nomination on a territorial basis, by tradition, four Directors were nominated from the Bombay region and two each from the other three regions. A larger number of Directors were nominated from the Bombay region to enable the Bank to hold weekly meetings of the Committee of the Central Board without facing problems of quorum for attendance. Similarly, there was no provision in the Act for the nomination of Directors to represent different areas of activities, except for four Directors nominated to the Central Board from four local boards who were required, as far as possible, to represent economic interests and the interests of cooperative and indigenous banks. As a result, the Directors on the Central Board came from a fairly wide range of activities, like industry, economics, social work, education, law, science and public life.

On many occasions, guidelines were sent from the government to the Bank regarding nomination of Directors. In June 1968, S.S. Shiralkar, Additional Secretary, Ministry of Finance, while approving the names of three Directors on the Central Board, suggested to M. Narasimham, Secretary of the Central Board, that, at the next opportunity, suitable names of agriculturists (or cooperators) and small-scale industrialists may be recommended in order to bring the Central Board in line with the policy underlying social control over banking.

The RBI Act laid down clauses for disqualification of Directors of the Central Board; the same applied also to members of local boards. A salaried government official, or one who had been adjudicated as insolvent or had suspended payment or had compounded with his creditors or had been found lunatic or had become of unsound mind or was an officer or employee of any bank or was a director of a commercial or cooperative bank, was debarred. However, the disqualification relating to a salaried government official and an officer or employee of the Bank or a cooperative bank or a director in a bank would not apply to the Governor or Deputy Governor or the government nominee. At first, only an employee or a director of a commercial bank was not permitted to become a Director on the Board of the Reserve Bank of India. When the Banking Regulation Act was extended to cooperative banks in 1966, directorship of a cooperative bank became a disqualification for appointment as Director on the Central Board or as member of the local boards. Accordingly, the Secretary of the Central Board sent letters to all the Directors and members to ascertain whether they were directors of any cooperative bank.

The rationale behind the provision of not allowing directors of commercial banks or cooperative banks on the RBI Board was that such persons should not influence the policies of the Reserve Bank of India. However, on many occasions, directors/officials of the State Bank of India were appointed as Directors of the RBI Board because SBI was considered as a statutory corporation. After the nationalization of fourteen major Indian banks in July 1969, some directors on the boards of these banks were also appointed to the Central Board of RBI. M.P. Chitale, for instance, was a director on the board of Dena Bank when he was appointed to the Central Board of the Bank. However, it was decided that directors on the boards of the nationalized banks and SBI should resign from those boards before joining the Central Board of RBI. R.K. Seshadri, Executive Director, in a note dated 29 August 1972 to Governor Jagannathan, proposed: 'While it is not necessary to discriminate against the nationalized banks as compared with the State Bank of India, we may as a matter of policy in future ask the directors, both of the State Bank and the nationalized banks, to resign from the Boards of these banks before they join our Board.' Accordingly, Chitale was asked to resign from the board of Dena Bank.

S.M. Joshi, a well-known trade union leader and a member of the Praja Socialist Party, was appointed to the Central Board of the Bank. A member of a political party becoming a Director on the RBI's Central Board was not considered as a disqualification under the RBI Act. However, he resigned from the Central Board on his party's directive. In a letter to the Governor, Joshi wrote:

> I do not know what to do when the national committee of my party asks me to withdraw from the Board. After careful consideration of the issues involved I came to the conclusion that it is in the interest of disciplined political life in our country to resign. So long as I am a member of the party, I might be subjected to their direction. I do not know whether you would agree with me in this regard. I know the loss is mine. I do not know to whom the letter of resignation should be addressed. Therefore, I am sending it to you. Kindly forward it to the appropriate authorities and oblige.

Earlier to this, when Joshi had come to the RBI for attending a Board meeting in Bombay, there was a demonstration by class III and IV employees of the Bank against his accepting Directorship of the Bank because they objected to a socialist sitting with capitalists.

In 1956, as stated earlier, a controversy arose when Governor Rama Rau submitted a memorandum to the Central Board against the hike in stamp duty proposed in the central budget by the Finance Minister, T.T. Krishnamachari, as a fiscal measure with monetary intent, the entire Board, opposing the proposal, passed a resolution against it. The Ministry of

Finance and even the Prime Minister took strong exception to such a resolution, and asked for of the memorandum and of the proceedings. The Governor replied that there was no system of keeping a record of the discussions of meetings of the Central Board. On occasions when the Directors wanted the Governor to communicate the views of the Board to the government, such views were not incorporated in the proceedings but separate notes were sent to the government by the governor.

After taking over as Governor in 1957, Iengar suggested that it was necessary to maintain a brief record of discussions (if, necessary separately) at Board meetings on important subjects like credit policy. He felt that it was, in fact, the most important subject that the Board had discussed, and it was essential that a record of the discussions be kept. In 1967, when M. Narasimham became the Secretary after reorganization of the Secretary's Department and he was required to attend Central Board and committee meetings, he started the practice of recording fairly detailed proceedings of the Board meetings for the benefit of posterity.

While the Central Board was the highest managerial body of the Reserve Bank, most of the agenda items that came up at its meetings were of a routine and administrative nature, and did not provide much scope for contributing to improvements in policy. Some members of the Board, realizing that the memoranda and agenda items were not lively and did not have any policy content, privately aired their views to the Governor from time to time. This was reflected in a note recorded by Governor L.K. Jha on 31 January 1968, where he mentioned that the papers for the Board, although voluminous, contained little of what might be called points meriting consideration. The prime responsibility in regard to policies did not in fact rest with the Board; nevertheless, one would hope to keep the Board members better informed.

On 3 February 1970, P.L. Tandon and Bhaskar Mitter, referring to the discussions at the Board meetings, wondered whether steps could be taken to enable the members to contribute more effectively to the deliberations. The Governor stated that the agenda and papers were prepared after taking into consideration the topics and items in which Directors were interested. He also mentioned that while attempts were being made to prepare a suitable and relevant agenda for every meeting, a summary record of the discussions was also being maintained by the Secretary for the Bank's own purposes, and that the comments and views of the Directors were always taken into consideration before any decision was taken. While the formal agenda items were of an administrative and routine nature, there were many notes relating to monetary and credit policy, foreign exchange, etc., that were placed before the Board/Committee, albeit only for information. Professor K.N. Raj, who was a Director on the Board and who actively participated in the discussions, felt that the Bank was not using its Board. On many economic policies, particularly budget proposals, the Directors made valuable suggestions which were conveyed to the Minister of Finance. N.A. Palkiwala, as Director of the Central Board sent his comments to the Governor (L.K. Jha) on many budget proposals.

Local Boards

When the Reserve Bank of India Act, 1934, was originally framed, for administrative convenience, India (including Burma) was divided into five areas and local boards were constituted at Bombay, Calcutta, Delhi, Madras and Rangoon. With the separation of Burma, the local board for the Rangoon area was abolished. Each local board consisted of five members elected by shareholders on the register for that area, and three members nominated by the Central Board. In exercising its power of nomination, the Central Board aimed at securing representation of territorial and economic interests that were not already present among the elected members on the Central Board, and, in particular, the interests of agricultural and cooperative banks.

At the time of nationalization of the Reserve Bank in 1948, the Finance Minister was in favour of abolishing the local boards. However, Governor C.D. Deshmukh suggested that they should be retained. According to Deshmukh, local boards served a useful purpose in advising the Bank on matters relating to banking. In view of their local knowledge, their services were also useful in matters like acquisition of land and property by the Bank, building of the Bank's premises, etc. Further, the Governor felt that there were very few people who understood the Bank's operations and it would be useful to associate some of the local board members with the work of the Bank. As a result, the local boards continued even after nationalization of the Reserve Bank.

However, with the disappearance of shareholders consequent upon nationalization of the Bank, with effect from 1 January 1949, the local boards were no longer called upon to perform their primary function relating to shares for which they were originally constituted. The other functions performed by the local boards were of an advisory nature. Therefore, Governor Rama Rau again raised the issue of abolition of the local boards. The Committee approved the Governor's suggestion on 9 February 1955, and the Board agreed that the local boards should be abolished on the expiry of their present term on 14 January 1957. The Reserve Bank of India (Amendment) Bill, 1956, was introduced in the Parliament for giving effect to the decision to abolish the local boards. In February 1956, the Bank wrote to the government for effecting suitable amendments to the RBI Act for nominating four Directors (in lieu of members of local boards nominated on the Central Board) on the Central Board to represent, as far as possible, territorial and economic interests and the interests of cooperative and indigenous banks. It suggested that, alternatively, the number of Directors nominated under Section 8(c) be hiked from six to ten.

During discussions on the Bill in the Parliament, there was strong protest against the decision to abolish the local boards. Accordingly, Government of India dropped the clause relating to their abolition. Discussions about divisibility and their areas of activities, however, continued to surface time and again at Central Board meetings and in the Bank's correspondence with the central government.

In 1969, in consultation with various departments , the Bank proposed to delegate some significant functions to the local boards. They were given ample scope to discuss matters and offer their advice to the Central Board. Though it was, *inter alia*, envisaged that local boards would be consulted in the disposal of applications for opening of commercial banks, it was subsequently decided to seek their advice only in cases relating to opening of branches in metropolitan cities and port towns, and opening of offices by foreign banks in India. Similarly, in the case of cooperative banks, it was decided that applications for opening of branches should be disposed of departmentally, and that a quarterly statement showing the particulars of applications received from cooperative banks for permission to open/change locations from existing places of business should be submitted to the local boards. This was considered necessary to ensure speedy disposal of the numerous applications for opening new branches.

In spite of the efforts made by the Bank from time to time to enlarge the scope and content of the functions of local boards, there was a general feeling that they were not being utilized adequately as they served no useful purpose. In fact, in 1970, a member of the northern area local board resigned his membership on this ground. In that context the then Governor, L.K. Jha, observed:

> The point made by the members of the Local Boards that Local Boards do nothing useful is valid and warrants further consideration. Perhaps the best solution would be to abolish them and if Government agrees with this view nothing more

> needs to be done, but, if they are to continue, then we must examine ways and means of the possible use we can put them to.

It was, however, decided not to take any action for the time being as the functions of the local boards had been enlarged only in 1969 and some time was allowed to elapse before a further review.

The question of enlarging their functions was once again considered in 1976. It was then decided that, in addition to various advisory activities, the local boards should be vested with certain powers having a bearing on financial disbursements of certain categories. Accordingly, they were authorized to take financial decisions in regard to purchase of land for office buildings and alterations to existing buildings owned by the Bank at any place within the jurisdiction of the boards, provided that the cost of the project was not in excess of Rs 5 lakh at a time. The boards were also authorized to decide on repairs to the Bank's residential accommodation within the same limits, and subject to the norms and standards prescribed by the Committee of the Central Board. These limits could be increased further but it was decided to defer such increase until some experience was gained by the local boards on disbursals.

The local boards, from time to time, highlighted regional problems, like sick industrial units and the state of small-scale industries in Calcutta, difficulties in procuring raw materials and marketing finished products in Bombay, etc. There was a suggestion from the local board of Calcutta that the Bank may set apart a token sum to be used by the local boards to investigate local economic problems and generate data having a bearing on the work of the Bank. The local boards at Delhi and Bombay felt that they were not very clear about and/or did not fully appreciate the Bank's criteria for deciding the number and location of branches, and stressed the need for laying down more meaningful criteria that could be fine-tuned to the environmental factors in different parts of the country rather than applying broad criteria uniformly in all situations. Some members suggested that local boards should be able to take up with the Bank the problems of customers of commercial banks, on the clear understanding that problems of individuals would not be taken up but only more general ones affecting particular economic sectors, say, of traders and industrialists.

The memorandum submitted by A.K. Banerji, Executive Director, to the Central Board, as an informal item on 11 February 1978 suggested various steps to meet the requirements of local board members. Senior officers of local offices of the Bank could, if needed, attend their meetings to discuss any of the memoranda of the Central Board, and publications of the

Bank could be regularly sent to them. The initiative of bringing the local boards closer to the policies of the Bank and to the developments in different sectors of the economy was welcomed by members.

Some Resignations

On many occasions, Directors of the Central Board of the RBI and members of the local boards resigned, for a variety of reasons. A noteworthy example was the resignation of Sir Purshottamdas Thakurdas (Sir PT, as he was fondly called), who had been a Director of the Central Board since 1935 and also chairman of the western area local board in 1956, when there was a clash between Governor B. Rama Rau and Finance Minister T.T. Krishnamachari. The clash led to the resignation of Governor Rama Rau on 13 January 1957, an issue that was elaborately detailed in Volume 2 of the history of the Reserve Bank of India. The Finance Minister had made a public statement that the Reserve Bank was only a department of the Finance Ministry, to which Governor Rama Rau reacted by resigning. This incident led to the resignation of Sir PT as well. In a letter addressed to the Reserve Bank, Sir PT stated:

> The happenings in the last couple of weeks in the relations between the Board of the Reserve Bank and the Central Finance Ministry are so extraordinary, one-sided and unprovoked that I feel it is not in the interest of the country that any non-official should avoidably keep up his connections with the Reserve Bank. I, therefore, hereby request you to do the needful so that I may not be renominated after what has been happening lately.

In 1964, H.P. Nanda of Escorts Ltd was appointed as a Director of the Central Board. He was later asked to resign because he and his company had committed a technical violation of foreign exchange regulations, which was pointed out by the Finance Minister, T.T. Krishnamachari, himself to the Governor.

The provision for reappointment of Directors often led to differences in perception. As a result, many Directors who joined the Board of the Bank in 1935 continued for a long time; for example, Sir PT remained on the Board till 12 January 1957. Governor Iengar, vide letter No. Sy.59–1401 dated 16 November 1960 to the Finance Minister, suggested: 'As a general rule, it would seem desirable that persons who have served for two full terms (which means eight years) should be replaced unless there are special considerations which would justify their retention.'

In reply to this letter, L.K. Jha conveyed that the Finance Minister was happy to note the suggestion to limit the tenure of Board members to two full terms. The Governor, while suggesting two terms, also recommended that S.S. Anantharamakrishnan of the southern area local board, who had already completed two terms should be given one more extension. The Finance Minister declined this proposal. In 1961, Governor Iengar wrote to L.K. Jha (letter dated 27 November 1961), suggesting that the term of Professor D.R. Gadgil, who had been on the Board since 1952 and had completed more than two terms, could be considered for another extension. He wanted this as an exception. In support of Professor Gadgil, the Governor wrote:

> Apart from his membership of the Board, where his contribution is quite outstanding, he has been of great value to us in our economic and statistical investigations. As he comes to the Reserve Bank once a week, it has been possible for us to consult him about these investigations and to take full advantage of the knowledge and experience he has gained as the Head of the Gokhale Institute in Poona. It would be more difficult to do so if he did not regularly visit us in the Reserve Bank in his capacity as a Director. I would personally consider that both on account of his outstanding contribution to our discussions as an economic stand, also of his assistance to our Economic and Statistical Departments, an exception may well be made. I will be grateful if you will let me know urgently what the Minister's views are.

The Governor's proposal was turned down by the Finance Minister. Jha, Secretary, Ministry of Finance, in his communication to the Governor, wrote:

> Finance Minister fully appreciates the reasons which you have given regarding the desirability of continuing Professor Gadgil for another term. He feels, however, that it would be extremely awkward to distinguish between director and director when considering the question of extension for a third term. It would imply that Government makes an assessment and comparison of the usefulness of the contribution which individual directors has made on the Board. Finance Minister feels that such an impression should be avoided and we should adhere to the decision that no director shall serve for more than two full terms.

In 1965, Governor P.C. Bhattacharyya recommended to the government that Professor D.R. Gadgil be nominated on the Bank's Board. The Governor mentioned in his letter that whatever be the objection that had prevented the government from granting him a third consecutive term no longer operated, and that it was opportune to reappoint him on the Bank's Board. However, even before a decision was taken by the government, Professor Gadgil on his own declined to accept the offer as he did not desire to sever his connection with Maharashtra State Cooperative Bank, of which he was the chairman.

An office note dated 3 November 1972, recorded by R.K. Seshadri, Executive Director, stated that: 'In accordance with the decision which has already been taken by the Prime Minister (Smt Indira Gandhi) the appointment of a Member of a Local Board or of Director of the Central Board is not to be renewed except in very exceptional circumstances.' It appears that this decision was taken in response to the criticism levelled in the press in November 1971 by S.A. Dange, communist leader, against the continuation of Directors on the Board for long periods of time. Further, in June 1972, during the course of a discussion about granting a second term as Director to Kamaljit Singh, V.M. Bhide, Additional Secretary, Government of India, conveyed to Governor S. Jagannathan that it was of the view that no Director should be appointed in the future for a second term unless there was an exceptional reason for doing so. But the Governor strongly recommended granting an extension to Kamaljit Singh and stated the new policy not to renominate a Director who had already served one term was not absolute, as he understood it, and could be relaxed on merits occasionally. Despite this strong recommendation, the government did not agree to his reappointment. In March 1974, Government of India, on the recommendation of the Bank, reappointed Justice P.B. Gajendragadkar and Professor A.M. Khusro as Directors of the Central Board for a second term. Justice Gajendragadkar, however, resigned from the Board on 17 May 1975 when Governor Jagannathan relinquished his position. In his letter to the Governor, Gajendragadkar said:

> As you know, it was solely out of regard for your request to authorize you to recommend to the Central Government that I should be renominated as Director to the Central Board of the Reserve Bank of India when my first term as Director of the Bank came to end on 27th February 1974. Since you are relinquishing I am sending herewith, for your information, a copy of letter which I have already addressed to the Finance

> Minister (C. Subramaniam) resigning my post as Director of the Board of the Reserve Bank of India.

When Government of India declared a national Emergency on 25 June 1975, Professor M.L. Dantwala, Director of the Bank's Central Board, and member and chairman of the western area local board and director on the board IDBI, resigned from all three posts in protest. In his letter to Finance Minister C. Subramaniam, Dantwala wrote:

> I am profoundly perturbed by the recent political developments in the country commencing with the Declaration of National Emergency and subsequent trends of events. As I am unable to reconcile myself with the measures adopted, I have to request you to permit me to tender my resignation effective from the afternoon of Wednesday, 2nd July 1975, from
> (1) the Central Board of Directors of the Reserve Bank of India
> (2) the Board of Directors of the Industrial Development Bank of India
> (3) Chairmanship and Membership of the Western Area Local Board.

Dantwala, however, became Director of the Bank's Central Board again after the removal of the national Emergency in 1977.

On 30 June 1975, Professor Bhabatosh Datta, another Director of the Bank's Central Board, resigned, citing poor health as the reason. In his letter to the Secretary, Banking Department, Government of India, Professor Datta mentioned:

> I had recently to undergo a major operation, requiring long hospitalization and subsequent rest. I have been asked to reduce my travel commitments to the indispensable minimum. I could not attend the last two meetings of the Reserve Bank Board. I now feel that it will not be proper for me to continue to retain my seat on the Board and thus block a new appointment.

DEPARTMENTS

By the early 1950s, the Reserve Bank of India had a number of departments that reflected the diverse financial and economic functions associated with the process of economic development. From the three departments with which the Bank started functioning in 1935, namely the Banking Department, the Issue Department and the Agricultural Credit Department (ACD), it progressed quickly, in the 1940s and early 1950s, to set up the Exchange Control Department (ECD), the Department of Research and Statistics (DRS), the Inspection Department, the Department of Banking Development (DBD), the Department of Banking Operations (DBO), and the Central Office with the Chief Accountant as head, and legal, premises and secretary's divisions.

In July 1954, a proposal was made to set up an Estate Department headed by an assistant engineer at Bombay and under the general supervision of the Bombay office manager would have the responsibility of overseeing and maintaining all the Bank's properties. As the responsibility had increased enormously with the construction of a large number of staff colonies, the Committee of the Central Board approved the proposal for setting up the Estate Department at its meeting of 28 July 1954.

In August 1955, the Bank decided to reorganize and expand the ACD and DBD in the context of the recommendations of the Committee of Direction of the All India Rural Credit Survey, 1954, and the enactment of the State Bank of India Act, 1955, proposing the setting up of subsidiaries by SBI. The ACD was reorganized in order to strengthen and widen the cooperative credit structure and to train the cooperative sector personnel, with three divisions—planning and reorganization, inspection and general. The existing rural division of the DBD was transferred to the ACD. The DBD, at the same time, was strengthened in terms of staff to take up inspections of state finance corporations, and to deal with issues relating to industrial finance and the developments associated with the expansion of SBI and its subsidiaries.

Reorganization of DBD was undertaken once again in September 1957 when Government of India decided to set up a Refinance Corporation to provide financial assistance to medium-sized industrial units. The DBD was accordingly bifurcated into two departments—the Industrial Finance Department and the Department of Banking Development. Both departments needed additional staff with the increase in work and were headed by chief officers.

In April 1959, the DRS was divided into two departments—the Economic Department and the Department of Statistics—given the growing complexity of economic functions of the government and of credit management, and the need to develop extensive financial statistics on organized lines and to make elaborate empirical analyses of developments in the economy.

By October 1964, the Reserve Bank had a large number of buildings—nine office buildings and thirteen residential colonies—at different cities ('centres' as they are referred to in the internal notes of the Bank, and in this chapter as well). Four new projects were under construction and eleven more were in the pipeline. In view of the growing number of premises, it was proposed that the Estate Department should be headed by a superintending engineer at the Central Office of Bombay, and supported by technical cells headed by executive engineers at the Calcutta, Madras, New Delhi, Nagpur and Bombay offices.

The DBD that came into being in 1950 and which was divested of its industrial finance wing in 1957 diminished in importance in view of the contraction of work with the full-fledged formation of the SBI group. Inspector V. Atma Rao who inspected the DBO in 1963 suggested the merger of DBD with DBO. Acting on his cue, Governor Bhattacharyya proposed the merger in a note dated 31 March 1965, which was approved by the Committee of the Central Board at a meeting held on 7 April 1965. The merged department came to be known as the Department of Banking Operations and Development (DBOD). Bhattacharyya made a proposal to the Committee of the Board at the same time to reorganize the Central Office of the Bank. Till then, the Central Office was headed by the Chief Accountant who was in charge not only of Central Office accounts but also of administration, personnel, expenditure, planning and construction of buildings, and other miscellaneous associate functions. Bhattacharyya felt that the designation of 'Chief Account' was a misnomer in that it did not suggest the responsibilities that were shouldered by the office. He, therefore, suggested that the office be split into three departments on a functional basis—the Department of Administration and Personnel headed by a chief manager, the Department of Accounts and Expenditure headed by chief accountant and the Premises Department headed by a chief officer. The Committee approved the proposal without any reservations.

Bhattacharyya's other important accomplishment was the formation of a separate Department of Non-Banking Companies (DNBC) in March 1966 at Calcutta, carved out of what was hitherto attended to on a temporary basis by the publications and press relations division in the Economic Department. Another area where Governor Bhattacharyya's imprint was visible was in the creation of the Secretary's Department, by upgrading the Secretary's section that dealt with not only the work relating to meetings of the Central Board and its Committees, but also the work associated with the government's public borrowings and the management of public debt. The Governor proposed in June 1967 that while the Secretary's post could be filled by selection from among senior officers belonging to all the departments or, if necessary, by appointment of a suitable person from outside the Bank, his suggestion, without prejudice to this proposal or any other arrangements, was that M. Narasimham, who was then Deputy Economic Adviser in the Bank, should be appointed as Secretary. The Committee of the Central Board approved this at a meeting held on 22 June 1967.

During the tenure of Governor Jha, too, some organizational changes took place. As the volume of work increased and new activities were added, the Bank's staff strength almost doubled between 1960 and 1966, to over 17,000. The establishment costs had gone up as a result, without any evidence of a corresponding increase in the overall efficiency or output of the Bank. To ensure improvements in output/efficiency, traditional methods of work and procedures had to be discarded. Deputy Governor P.N. Damry suggested in August 1967 the setting up of an organization and methods unit in the Bank. The unit would help to codify the basic developmental procedures in the form of manuals, handbooks, etc., and update them continuously with a view to eliminating wasteful procedures and streamlining methods of work. The unit was called the management services section (MSS) and was made a part of the Department of Administration and Personnel. The senior officer in charge of MSS took initial training related to organization and methods at the National Institute for Training in Industrial Engineering (NITIE) at Powai, Bombay, and completed an assignment by January 1968 that led to suggestions for simplification and quality control of work of the DAP and for further delegation of powers. Given the critical importance of the section, the Efficiency and Development Sub-Committee of the Central Board monitored its functioning. The Sub-Committee took the view that the training at NITIE was useful but it was necessary to organize the section on more scientific lines. This led to the hiring of the services of the All India Management Association (AIMA), New Delhi, in a consultative capacity and on a retainer basis, in April 1968. AIMA, in a preliminary paper, suggested that the word 'management' in the title of the unit was likely to produce an adverse psychological reaction among the working staff. On July 1968, in a memorandum to the Efficiency and Development Sub-Committee of the Central Board, K.C. Mittra, chief manager proposed that the unit be renamed as the 'O&M division'. The Committee approved the proposal on 24 July 1968. The division's working was examined in detail subsequently—in 1976, by the Cadre Review Committee, which recommended that the division, instead of restricting itself to designing forms and simplifying procedures, should act as a change agent with due emphasis on human factors. The Cadre Review Committee also suggested that the O&M division should undertake tasks related to (i) manpower planning, (ii) job evaluation, job satisfaction and job enlargement, and (iii) operations research. The Efficiency and Development Sub-Committee, which considered these proposals, suggested that the O&M division should be called the 'Management Services division', in line with its evolving role. The Committee of the Central Board approved the proposal on 14 July 1976. The division became a full-fledged department in 1978–79, and was called the Management Services Department (MSD).

The setting up of the MSD heralded a major shake-up in the organizational structure of the Bank. In July 1979, Governor I.G. Patel constituted an in-house Study Group headed by the director of the MSD, to review the departmental and organizational set-up in the Bank. The Study Group submitted its report in February 1980. At a meeting held on 1 July 1980, the top management approved most of its recommendations and decided that the adviser, MSD, should implement the approved recommendations. Accordingly, an implementation cell was formed. The impact of the recommendations was most felt by the Department of Administration and Personnel (DAP) and the Department of Accounts and Expenditure (DAC). Some departments were expanded and were given new names. Thus the Economic Department became Department of Economic Analysis and Policy (DEAP) with some additional divisions, such as international economic relations and national income, savings and flow of funds. The Department of Statistics became the Department of Statistical Analysis and Computer Services (DESACS) with divisions associated with surveys and computerization. DAP was reorganized on a functional basis into (i) the Department of Administration and (ii) the Personnel Policy Department, after the Committee of the Central Board cleared, on 21 January 1981, a proposal of Deputy Governor P.R. Nangia in favour of the said bifurcation. DAE was also reorganized on functional lines into (i) Department of Currency Management, (ii) Department of Expenditure and Budgetary Control, and (iii) Department of Government and Bank Accounts, again on the basis of a specific proposal made by Deputy Governor M. Ramakrishnayya in a memorandum that was approved by the Committee of the Central Board on 21 January 1981. On the same day, the Committee approved the introduction of a three-tier system of inspection and audit, namely, financial audit, systems and staffing audit, and performance audit.

The Bank prepared itself for the imminent changes in the departmental structure concerning rural and cooperative credit in light of the recommendation that the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) made in its final report (submitted on 5 March 1981) to set up an apex bank for agriculture and rural development, the details of which are given later in this study. The apex bank, viz. NABARD, which came into being on 12 July 1982, heralded the dissolution of one of the first departments of the RBI, the Agricultural Credit Department, and the coming into existence of two new departments, the Rural Planning and Credit Department (RPCD) and Urban Banks Department (UBD).

SPREAD OF BANK OFFICES

The first volume of the history of the Reserve Bank of India (1935–51) had referred to the original proposal to have RBI offices in Calcutta, Madras, Delhi, Rangoon and London. In the early 1950s, the Bank owned office buildings in Bombay and Calcutta. The Rangoon office was closed when Burma became independent in 1948. At the remaining two major centres, viz. New Delhi and Madras, the process of acquisition of land for the Bank's offices was in progress around that time. For New Delhi, the Committee of the Central Board, at its meeting held on 25 May 1949, confirmed acceptance of land allotted by the government to the Bank, measuring about 4 acres on Parliament Street; it also sanctioned payment to the government of a sum of over Rs 12 lakh towards the premium for the plot. There were some accompanying conditions, too, pertaining to the annual ground rent payable and the share in the unearned increase in the value of land at the time of transfer.

The acquisition of a plot for the Madras office encountered certain initial hiccups. In August 1950, the Committee of the Central Board authorized the purchase of a site known as Stanley Club at Vepery, Madras, from Government of India. Even though it was the government of Madras that suggested the site, Madras Corporation opposed the move and almost unanimously passed a resolution objecting strongly to the construction of any building on that site, on the ground that such construction would mar the natural and aesthetic beauty of the Island Grounds and deprive the city of valuable open area. Even the local press came out against the allotment of the site to the Bank. In view of the public opposition, the Bank considered an alternative site on North Beach Road near Fort Glacis, in the Fort St. George area, as suggested by the Corporation Commissioner, and found it to be suitable. The site, measuring 3.96 acres, belonged to the central government, which agreed to transfer the same to the Bank for a sum of about Rs 5 lakh. The proposal to acquire the plot was approved by the Committee of the Central Board in January 1951.

The first organized initiative that the Bank undertook for setting up branches at the headquarters of each major state was in September 1950, when the issue was discussed at a Central Board meeting, in the wake of the examination of the *Report* of the Rural Banking Enquiry Committee. The Central Board generally agreed with the proposals made by Governor Rama Rau, which in turn were in line with the recommendations made by the Rural Banking Enquiry Committee.

In pursuance of this policy, the Bank opened a branch at Bangalore on 1 July 1953, and took steps to acquire plots or to initiate construction at centres like Nagpur (Madhya Pradesh), Bhubaneswar (Orissa), Chandigarh (Punjab), Gauhati (Assam), Patna (Bihar), Hyderabad (Hyderabad) and Lucknow (Uttar Pradesh). The Rural Banking Enquiry Committee recommended branch expansion of the Reserve Bank from several points of view: extension of currency chests; improvement of remittance facilities; taking over the cash work of governments at state headquarters; and expansion of banking facilities for commercial and cooperative banks, governments and the public. As an additional justification, the Committee pointed out that, in this process, closer contacts would be established between the Reserve Bank, on the one hand, and the state governments and banks, on the other.

While reviewing the position in this regard in August 1955, the Central Board made a marked shift in policy. It decided that, in the context of the establishment of the State Bank of India (SBI), all future branch expansion at state headquarters should be that of SBI and not of the Reserve Bank. It also decided that the question of establishment of new offices or sub-offices of the Reserve Bank should be considered thereafter with specific reference to the needs of (i) the Issue Department, (ii) the Department of Banking Operations and (iii) the Agricultural Credit Department (whose functions could not be met by SBI). This had the effect of putting on hold, at least for the time being, many expansion programmes of the Bank. It gave up the idea of establishing offices in Chandigarh (Punjab) and Bhubaneswar (Orissa) and the state governments were accordingly requested not to proceed with the acquisition of sites for the RBI at these centres, for which negotiations were then in progress. The idea of an office in Patna (Bihar), where the Bank had acquired about 3 acres of land, and of acquiring a site for permanent location of a sub-office at Gauhati (Assam) was also not pursued further.

By the early 1960s, the Reserve Bank had full-fledged offices at Bombay, Calcutta, New Delhi, Madras, Kanpur, Bangalore and Nagpur. In addition, it had sub-offices of the Issue Department at Gauhati (established in 1949) and Hyderabad (established in 1956), and note cancellation sections at Lucknow (established in 1946), Ludhiana (established in 1950) and Jaipur (established in 1954). A review of the position of other offices in 1960 showed haphazard of expansion. In 1954, a branch of the Public Debt Office was established at Lucknow to manage the zamindari bonds issued by the Uttar Pradesh government, on abolition of the zamindari system in that state. In 1956, with a view to facilitating the taking over and management of the public debt of the former Hyderabad state, a branch of the Public Debt Office was established at Hyderabad. And in early 1960, a branch of the Public Debt Office was opened at Patna to manage the zamindari abolition bonds of the government of Bihar.

To enable the Bank to discharge its growing responsibilities in yet another field, an office of the Department Banking Operations was established at Trivandrum in 1954, in addition to other regional offices of the department at centres where the Bank already had regular offices of its Issue and Banking Departments.

Regional expansion of the offices of the Agricultural Credit Department was comparatively well organized. With the acceptance, in 1955, of the recommendations of the Committee of Direction of the All-India Rural Credit Survey, the Reserve Bank assumed crucial responsibilities as the largest ultimate source of cooperative agricultural credit, as well as the coordinating agency for planned development of the cooperative credit structure. This called for a more intensive pattern of inspections of cooperative banks, with a consequential increase in inspecting staff and establishment of more regional offices to ensure adequate coverage. A decision taken by the Central Board of RBI in July 1958, to open offices of ACD in various states in three phases. The existing offices at Bombay, Delhi, Calcutta and Madras constituted the first phase. In the second phase it was proposed to open new offices at Indore (for Madhya Pradesh), Bangalore (for Andhra Pradesh and Mysore), Lucknow (for Uttar Pradesh) and Patna (for Bihar and Orissa). In August 1958, however, the Committee of the Central Board decided not to pursue the idea of opening an office at Lucknow and retained the Bank's office at Kanpur. The expansion proposed in the third phase included offices at Ahmedabad, Bhubaneswar, Gauhati, Jaipur and Hyderabad, and two sub-offices at Trivandrum and Srinagar, as decided at a meeting of the Committee of the Central Board in June 1960.

An overall review of the expansion of the Bank's offices took place in 1960. The memorandum submitted by Governor Iengar to the Central Board meeting in December 1960 stated:

> The time has arrived to take a long-term view of our requirements and plan the expansion of our offices in an orderly and integrated manner. Under the successive Five Year Plans the Bank's work is bound to increase not only in the traditional lines, viz. the management of note issue, conduct of Government business and management of Public Debt, but also in the field of banking operations and control, and supply of rural and industrial credit.

Iengar went on to suggest the establishment of integrated offices at the headquarters (or other principal towns) of the principal states and construction of the Bank's own buildings at these places as soon as possible. The advantages of setting up integrated offices included the ability to take up additional workload, decentralization of work leading to all-round efficiency, abolition of the various note cancellation sections, reduction in the number of large cross-country remittances, etc. The widening responsibilities of the Reserve Bank connected with, or arising from, the increase in note circulation, the management of public debt, regulation and control of banking and credit, administration of exchange control, and the development of financial institutions to cater to the needs of agriculture and industry, could not be fulfilled by expansion of the State Bank of India, which could deal only with purely banking and remittance aspects. The memorandum visualized the setting up of integrated offices with wings of the Issue and Banking Departments, Public Debt Office, Exchange Control Department (where necessary), Department of Banking Operations and Agricultural Credit Department in all the states to which the Reserve Bank was the banker. A beginning was to be made by upgrading the sub-offices or sectional offices of the Bank at Gauhati, Hyderabad, Patna and Ahmedabad into regular offices. The Central Board meeting approved the proposal to have an integrated office of the Reserve Bank in each state.

The Bank then initiated action to secure suitable sites for construction of office buildings (as well as staff quarters) in different states. Out of eight state capitals where the Bank had full-fledged offices, viz. Chandigarh, Bhubaneswar, Hyderabad, Trivandrum, Bhopal, Gauhati, Jaipur and Ahmedabad, it was able to secure land for offices at the first five centres by 1965. The plot for the office building at Gauhati was purchased from the state government in 1966 and that at Jaipur was purchased in early 1967 from the Jaipur Improvement Trust. In Gujarat, the Bank's effort to acquire a plot at Ahmedabad near Gandhi Bridge, initiated in 1965, was inordinately delayed on account of protracted litigation proceedings with the owners; the plot could be finally acquired only in December 1970. As regards the states of Jammu and Kashmir and Nagaland, the Bank did not plan to establish full-fledged offices there during this phase of expansion.

A significant development of the 1960s was the closure of the London office of the Reserve Bank. By an amendment Act of 1955, Section 6 of the Reserve Bank of India Act was amended so as to remove the obligation on the Bank to maintain a branch in London. The need for this amendment was explained to the Central Board of the Bank in notes attached to the Governor's memorandum in February 1955.

> The Reserve Bank of India Act at present makes it obligatory for the Bank to maintain a branch in London. This provision was made in response to demands made in Parliament under conditions which are no longer applicable. The maintaining of a branch in London is unnecessary expense for the Bank and does not serve much useful purpose. After the establishment of the State Bank, which will have a branch in London, whatever justification there might have been in the past for the Reserve Bank maintaining such a branch would disappear. Few Central Banks of the world have foreign branches, and doubts have been expressed in Parliament as regards the propriety of the Reserve Bank continuing to maintain a branch in London after India became independent. It is, therefore, proposed to remove the present obligatory provision in the Act. As soon as circumstances permit, arrangements will be made to transfer the present functions of the Reserve Bank's London Office which are of a non-essential character to the office of the State Bank in London.

Arrangements were made, in consultation with the State Bank of India and Government of India, to close the London office of RBI on 30 September 1963 and to let the functions of that office be performed by SBI. The terms of the arrangement, *inter alia*, included taking over of the Reserve Bank's staff (excluding the manager, who was to be repatriated to India) by SBI, and the lease agreements of the Bank's office premises and the manager's residential flat being assigned in favour of SBI. Governor Bhattacharyya's proposal in this regard was approved by the Central Board in a meeting held on 18 September 1963.

In May 1967, the note cancellation and verification sections at Ludhiana, which had been functioning since February 1948, were closed down, and the staff and work of the sections were transferred to the New Delhi office. Towards the end of the 1960s, the Bank's offices at Patna and Kanpur started functioning from the Bank's own premises. The next centre where construction of the Bank's office building was completed was Bangalore, and the departments that were till then housed in leased buildings were shifted to the new premises in June 1973.

Construction of the Bank's office premises elsewhere was adversely affected on account of the ban imposed by the government in 1973 on construction of non-functional buildings, and because of the restriction on the use of cement under the Cement (Conservation and Regulation of Use) Order, 1974. Both were withdrawn in January 1976 and thereafter the building projects of the Bank gained momentum. The Hyderabad office was completed and occupied in June 1978.

Certain other developments also came in the way of project execution at some of the centres. At the time of excavation for laying foundations of buildings at the plots acquired by the Bank on Gopinath Bardoloi Road, Gauhati, some archaeological finds were discovered, following which the then state government declared the site as protected under the Assam Ancient Monuments and Records Act, 1959, and asked the Bank to surrender the plots. The construction work was stopped and the Bank approached the state government for allotment of an alternative plot. The government's proposal to refund to the Bank the cost of the old plots, which were on 'residential land', and to allocate an alternative plot on Station Road, Pan Bazar, which was on 'first class commercial land', was accepted by the Bank. The difference in the assessed value of these plots was paid to the government for acquiring the new plot.

In Ahmedabad, when taking possession of the plot in December 1970 after prolonged litigation, the question of locating the main office of the Bank at the new capital of Gujarat, viz. Gandhinagar, came up for consideration. However, it was finally decided to locate it at Ahmedabad in view of the city's industrial and financial importance. In Trivandrum, a slightly different issue was raised regarding relocation of the office building. Several representations were received by the Bank from various commercial bodies in Kerala indicating that Ernakulam would be a better place for locating the office, since it was the main centre of industry and trade in Kerala. However, the government of Kerala, whose views were sought on the subject, considered Trivandrum, the state capital, as the appropriate centre for locating the Bank's full-fledged office, but conceded that from the point of view of international trade it might be advantageous to have a unit of the Exchange Control Department of the Bank at Ernakulam/Cochin. The state government's view was accepted by the Bank and action initiated accordingly.

Towards the end of the reference period of this volume, the office buildings at Gauhati and Trivandrum were completed and occupied. These were followed by completion of the projects at Ahmedabad and Bhubaneswar in early 1982. The construction of office buildings at the remaining centres, viz. Jaipur, Chandigarh and Bhopal, in that order, were completed much later.

The largest, perhaps the most grandiose ever, construction that the Bank undertook during the period of the present volume was the central office building in the Mint Compound, Bombay. The acquisition of the plot, and planning and execution of this project had to go through several stages of revision and refinement. The proposal to construct a central office building to meet the growing needs of the various departments of the Bank was first mooted in 1962. Government of India, which was approached in this regard, agreed to lease to the Bank a portion of the Mint Compound, measuring about 2,590 square yards, at a nominal rent of Rs 1 per annum, provided the Bank made available to the government, free of charge or rental, the ground floor of the proposed building, for use by the mint. Taking into account the FSI requirements, it would be possible to construct a building on this site consisting of a ground and six floors, and having a total area of 73,800 square feet. The plans for the proposed building were prepared by the architects, M/s Parelkar-Ovalekar-Parpia, and were approved by the building sub-committee in April 1965. But given the possible growth of the various departments of the Bank, the space that would eventually be available in the building was considered inadequate, and, in October 1965, it was decided to take on lease from the government of Maharashtra four plots of land, measuring about 7,525 square metres, in Backbay Reclamation area, for construction of a multistoreyed office building comprising twenty-four floors. It was therefore decided to defer the construction of the office building in the Mint Compound. Although the plans prepared by the architects, M/s Pheroze Kudianavala and Associates, for the multistoreyed office building at Backbay Reclamation were approved by the Municipal Corporation in September 1965, the project was abandoned in March 1969, as it was felt that it would be inappropriate to incur such a large expenditure. Instead, it was decided that the Bank would go ahead with the plan of an office building in the Mint Compound after utilizing the FSI to the maximum extent possible. The Bank approached the Bombay Municipal Corporation and the latter agreed to relax certain municipal requirements, which, in effect, meant that the FSI of the entire mint property could be made use of by the Bank, provided the mint agreed not to exceed the same at a later date. The mint authorities agreed to abide by these conditions but with a proviso: that they would be given, free of cost, three floors instead of one as agreed to earlier, and that the lawn adjoining the building would be restored to them.

With the increase in the area of the plot from 2,590 to 5,850 square yards, the architects, M/s Pheroze Kudianavala and Associates, were able to design a building with two large basements and a tower block comprising a ground, a mezzanine and twenty-seven upper floors with total built-up area of about 3.80 lakh square feet. The plans prepared by them were approved by the efficiency and development sub-committee at a meeting held on 5 January 1972. Stage-by-stage construction of the multistoreyed building—the diaphragm wall, the foundation and the superstructure—commenced from 1972. Despite the restrictions on the use of cement in the middle of the 1970s and the large size of the project, the fast progress made in the completion of the work was noteworthy. Proposals for housing the various departments and the pattern of utilization of space, excluding the area allocated to the mint, were submitted to the Committee of the Central Board on 4 January 1978 by Deputy Governor P.R. Nangia. The new central office building was completed and formally inaugurated by the Union Finance Minister, R. Venkataraman, on 7 November 1981.

Even after occupation of the new building, it was estimated that there would be a continuing demand for more office space of about 30,000 square feet every year, to meet the expansion requirements of departments in Bombay. With a view to the long-term requirements of office space in Bombay and the state government's policy of decongesting south Bombay to the extent possible, the RBI entered into correspondence with the Bombay Metropolitan Regional Development Authority (BMRDA) and the City Industrial Development Corporation of Maharashtra Ltd (CIDCO), for allocation of suitable plots for construction of office buildings in the Bandra–Kurla scheme. These efforts attained fruition only after the period of this study.

INDUSTRIAL RELATIONS

During the entire period of this study, with the exception of the Emergency years, industrial relations in the Reserve Bank were at a low ebb. On many occasions, aggressive and militant agitations of the staff paralysed the working of the Bank, with the result that it could not provide services to the public, banks and government in full measure or efficiently. In 1979, persistent staff agitations (the word agitation/agitations is used in the remaining part of this chapter to mean aggressive and militant attitudes and actions, since that word has been frequently used in the internal notes of the Bank) led to the Bank becoming non-compliant in respect of finalization of its financial accounts on time. The annual accounts and the report of the Central Board of Directors were submitted after a delay of six weeks. Even this would not have been possible had the central government not promulgated the Reserve Bank of India (Maintenance of Service) Ordinance, on 4 July 1979, declaring the Reserve Bank's services to be a part of essential services. The 'Maintenance of Essential Services Act' had been in fact passed in 1968, and it covered the banking industry including the Reserve Bank. But the Act was allowed to lapse in 1971. The Reserve Bank's services were again declared as essential in 1976, at the height of the Emergency, under the Defence of India Rules, to contain disruptive staff agitations.

All the three categories of staff in the Reserve Bank (class I staff consisting of officers, class III consisting of workmen, and class IV consisting of subordinate staff) have well-organized unions/associations with a considerable following. Although the Bank and unions/associations had mechanisms to resolve industrial disputes through bipartite settlements, they were unable to resolve their differences on many occasions and were compelled to resort to arbitration. The issues that created industrial unrest in the Bank were several: some were purely 'political' in nature, some were on flimsy personal grounds, some were 'local' in character, and most were concerned with matters like, pay revision, determination of dearness allowance, promotion policy for existing staff in the context of fresh recruitment from the market, automation and computerization.

These issues apart, the fact that a majority of the class III staff was employed in the Bank's Issue Department, particularly in the handling of soiled currency notes, gave an unequal advantage to the unions in their bargaining power. This, in turn, lent a structural rigidity to the mechanism of settling disputes through negotiations. The management often took recourse to asking officers to discharge the tasks of class III staff, utilizing the regulations relating to officers' duties. Such an approach led to disharmony among the classes of staff, with striking/agitating staff adopting militant postures towards those who were not willing to strike work. In addition, the unions took advantage of the prevailing political situation in the country to pressurize the management to achieve their demand. The management had limited expert human resources to handle the sensitive area of industrial relations, the personnel officers being either untrained or inexperienced in the art of negotiation. The effort of Governor Jha to appoint an expert in industrial relations in 1968 was a lone one, and was not pursued further. While there were instances of success, from the management point of view, in negotiations with the unions when senior officers known for their tact were utilized, these were few and far between.[3]

In the absence of data on man-hours lost in different offices of the Bank (including the Central Office), it is difficult to ascertain the impact of the various methods of agitation—'gheraos' (encirclement), demonstrations, rallies, 'pen down' strikes, wearing of black badges, 'go slow', 'work to rule' and, finally, strikes—on the productivity of the Bank. Again, there is hardly any record of the relationship between the offices and the Central Office during agitations, and of the rationale behind the strategies recommended by the Central Office management to the offices.

AGITATIONS

Class III Agitations, 1967–68

In 1967, most of the violent agitations by class III staff of the RBI took place in the Bank's Calcutta office. These agitations received the support of the Communist Party of India (Marxist). The genesis of the agitations was political: the dismissal of the United Front government headed by Ajay Mukherjee on 22 November 1967 and the installation of a government headed by an old Congressman, P.C. Ghosh led to demonstrations and rallies by the staff. The Employees' Association gave a call for observing 16 December 1967 as protest day. The Association also held lunch-time demonstrations for withdrawal of Section 144 imposed in some areas of Calcutta and for the release of political prisoners.

In early 1968, the Bank took the decision to instal a computer in the Central Office. The Employees' Association opposed the installation, and gave a call to its members to abstain from work on 3 January 1968 and 1 February 1968 from 1 pm to 1.45 pm. During the week of 5–10 February 1968, the Association organized mass hunger strikes in batches against the automation, which resulted in daily absence of a large number of employees.

The Association also began to agitate against the proposed Banking Laws

[3] In 1972, Governor S. Jagannathan and Deputy Governor P.N. Damry asked Executive Director V.G. Pendharkar to negotiate with the Employees' Association (class III staff) on certain ticklish issues, and Pendharkar managed to get the negotiations concluded to the satisfaction of both the management and the staff. In 1981–82, C.V. Nair, as manager of the Calcutta office and one-time head of the Officers' Association, helped to resolve many issues raised by class III and class IV employees of the Bank through negotiations and confidence-building measures, and without any show of high-handedness.

EXHIBIT Major Agitations by the Staff of the Reserve Bank

No.	The starting time of the agitation	Source of agitation	The stated cause(s)
1	2	3	4
1.	December 1967	The Employees' Association, Calcutta (spread to all offices when anti-computerization and anti-social control were launched)	Demand against dismissal of UF Government in West Bengal; subsequently mixed with agitation against computerization and social control.
2.	April 1969	The Employees' Association, Calcutta	Against the extension of the Aiyar Award.
3.	September 1970	The Employees' Association, Calcutta	Arrests of some staff members suspected of being naxalites.
4.	Mar/April 1972	Class III staff at Hyderabad. Class IV staff also joined	Against the posting of three economic assistants to Hyderabad office from Madras and Trivandrum offices.
5	June 1972	Class III staff at Byculla office, Bombay	Refusal to accompany remittances to Madras for destruction of soiled notes
6.	June 1972	Class III staff at Kanpur	Against emergency procedures relating to disposal of soiled notes.
7.	February 1975	Officers at all offices.	For eliminating anomalies in pay.
8.	February 1975	Class IV flash strike at Bombay; subsequently joined by Class III.	Local issues (including cleaning of tables and chairs).
9.	Dec. 1979	Officers – Mass Casual Leave – all India	Demand for pay revision.
10.	Apr/M '77	Class IV Staff	Livery clothes
11.	April 1977	Class IV staff	Livery clothes
12.	September 1977 December 1997 29 April 1979	Class III - all India (violent protest at Jaipur office).	Against many issues including computerization.
13.	May 1981	Class IV staff	For filling of vacancies by their children.

Amendment Bill that aimed to introduce social control over banks. It gave a call for participation in a strike on an all-India scale on 28 February 1968. To ensure the success of the strike, activists of the Association at Calcutta, mostly from the Issue Department, went around to all the departments threatening employees who were neutral or unwilling to join, and officers with dire consequences for their non-cooperation. The activists (in particular Ashis Sen and Naresh Das) called on the Manager on 27 February 1968 and asked him not to seek police help since such an action would be considered as an act of provocation. On the day of the strike, 28 February 1968, the agitationists resorted to intimidation and physical assault of the staff who did not join (the 'loyal' staff, according to the management) and of officers to prevent their entry into the Bank's premises. Some of the officers and supervisory staff managed to enter with police escort. More than twenty-five officers were assaulted and beaten; one of them, S.K. Das Gupta, banking officer, who was severely beaten by the strikers at Writers Building, was rescued by the joint secretary of the Judicial Department of Government of West Bengal and taken to hospital in an ambulance. Three lady telephone operators who attended the office in the morning were intimidated, threatened and verbally abused.

The next day, there was a lightning strike in protest against the police arrangements made by the Bank to protect the loyal staff on the previous day. The Bank, on the other hand, declared the strike on 28 February as illegal since it was without due notice. The Bank manager, therefore, instituted disciplinary action against the agitationists. Before doing so, he made sure that he had the support of the Central Office of the Bank. Deputy Governor P.N. Damry gave an assurance to the effect that the Bank would stand by what the manager would do in all cases that merited stringent disciplinary action.

The Association regarded the disciplinary action as 'victimization' and began to hold *en masse* demonstrations daily at lunch-time. Some members of the staff were asked by the Association to go to their respective heads of departments, and to the manager, demanding immediate withdrawal of all disciplinary action, and threatening to stop all work in the Bank if the management did not comply with their demand. An atmosphere of fear was created among officers and the staff and the manager had to summon police help whenever threats or physical assaults on officers were apprehended.

When, eventually, it was found impossible to conduct the Bank's functions in a peaceful and normal way, the management at the Calcutta office approached the Calcutta High Court for an injunction, restraining 1,746 members of the staff from threatening or intimidating any office or other loyal staff within the Bank's premises or within a reasonable distance of the premises. The Bank got the injunction from the High Court on 14 June 1968, and the hearing of the case was fixed for 1 July 1968. Upon the Bank getting the Court's injunction, members of the Association began to take casual leave *en masse* department-wise, thereby paralyzing the work in almost all the departments. There were also pen down strikes on 15 June and again on 28 June. Junior officers were not allowed to do clerical work, as the clerks did not vacate their seats. Employees in different departments took mass casual leave again on 19, 21, 24, 25 and 26 June, without prior permission. This led to the High Court passing an interim order on the 1,746 employees, restraining them from taking mass casual leave until final disposal of the application made by the Bank. On 1 July 1968, all the defendants went to the High Court in a procession to appear before the judge. Ashis Sen, the first defendant in the list, submitted to the Court in his counter-affidavit that, out of the 1,746 names mentioned in the list, some had died before December 1967, some were on long leave and some were out of station. This created an embarrassment to the management. The Central Office felt that while the manager at Calcutta was a well-intentioned disciplinarian, he did not have the skills to avoid confrontation with the staff. It decided to withdraw the disciplinary action against the staff, thereby compromising the position of the manager who eventually resigned from the Bank.

Agitation Against Extension of Aiyar Award, 1969

The 1969 agitation against extension of the award given by T.L. Venkatarama Aiyar, retired judge of the Supreme Court of India, was a classic case where the management of the Reserve Bank responded to the demands of the Employees' Association by neutralizing the losses sustained by a section of the employees through grant of what was termed 'personal pay'. The adjudication by Aiyar was a result of an agreement between the Bank and the All India Reserve Bank Employees' Association on 24 January 1967, to refer certain issues relating to pay and allowances and other conditions of service of class III workmen employees. The arbitrator gave his award on 12 February 1968. In the terms of the award, the revised scales of pay and allowances were given with retrospective effect from 1 January 1966, and in all other respects the provisions of the award came into force from 5 April 1968. On expiry of the award on 4 April 1969, Government of India exercised its statutory powers (conferred by the second proviso to subsection (iii) of Section 19 of the Industrial Disputes Act, 1949), to extend it.

The All India Reserve Bank Employees' Association impressed upon the Ministry of Labour, Government of India, that it did not favour extension of the award and that it should be terminated as on schedule (on 4 April 1969). But the extension took place, and the Association organized demonstrations and other forms of agitation at all the offices of the Bank including a one-day token strike on 30 April 1969. The Association also issued a press statement on 30 April 1969, published by *Statesman*, a reputed Calcutta newspaper. The press statement stated that while the wage level in the Reserve Bank was claimed by the management to be better than in other parts of the banking industry, employees of the Bank were worse off as compared to those in State Bank of India and Bank of India, even after excluding the bonus that the employees of commercial banks received. It also pointed out that 'by implementing the Aiyar Award, amounts ranging up to Rs 1,000 have been recovered from many employees, those employees who have suffered wage cut having been made to refund even interim relief of Rs 300 prior to the announcement of the Award.' The statement also referred to the effect of the application of the middle class consumer price index and mentioned that the dearness allowance paid in July–September 1968 was partially recovered from the employees in three months of that year at the rate of Rs 10–25 per month.

The Reserve Bank issued a statement in response, citing the inconvenience caused to the public, banks and government departments on account of the strike. The Bank also mentioned that during the last one year there had been stoppages of work that affected the working of the Bank for a part or whole of the working day. The Bank added that stoppages of work and strikes were against the ethics and code of discipline of the industry. According to the Bank, of 12,000 employees, all excepting 54 got a raise in the total emoluments through the Aiyar award, and in the case of the 54 employees, the Bank had neutralized the loss by granting them personal pay.

After the token strike on 30 April 1969, the Employees' Association approached the Bank's management to arrive at a negotiated settlement; the Bank responded positively by agreeing to consider providing some benefits to the employees affected by the Aiyar award, and promotion opportunities for coin/note examiners within the framework of the award.

Staff Agitation at Calcutta, September 1970

In September 1970, class III employees of the Calcutta office of the Reserve Bank launched an agitation mainly for political reasons—against the arrest by the state government of some employees of the bank who were thought to be associated with the Naxalite movement. The agitation started on 12 September 1970 (Saturday) over the reported arrest of Ranjit Kumar Dey, temporary clerk gr. II attached to the Public Accounts Department (PAD). On the same day, members of the Representative Council of the Employees' Association numbering about 100, met P.R. Nangia, manager of the Calcutta office, urging his immediate intervention for the release of Dey. Nangia told the representatives that he was very concerned over the arrest of the Bank's employee and expressed his sympathies for him; however, there was very little that he could do as the employee had been arrested outside Calcutta and, also, it was not known for what offence he had been arrested. The Association's representatives were agitated and not willing to listen to any reasoning. Nangia therefore assured them that he would make enquiries with the police and apprise them of the situation. Nangia contacted the Inspector General of Police (IGP) over the telephone to ascertain the full details. The IGP informed him that the employee was a Naxalite and had been arrested for serious offences under Sections 303 and 304 of the Indian Penal Code.

Meanwhile, members of the Association stopped attending to their normal duties in the Bank's departments, and employees attached to the clearing house did not complete their writing of the books. As such, the clearing house could not be balanced. The agitation continued on 14 September 1970 (Monday). The Association wanted the manager to impress upon the state government the need for immediate release of the concerned employee as, otherwise, it would become difficult for them to advise their members to call off their agitation. The agitating staff came in mass deputation to the manager again, shouting slogans against the state government, and demanding the release of their colleague and a halt to the indiscriminate arrests of people by the police. As part of the agitation, the staff refused to work overtime. They also started a 'go slow' agitation.

The agitation continued for more than ten days. The Association threatened that if the Bank was unable to secure the release it would intensify its agitation and the work situation would further deteriorate. The situation was further complicated by the fact that authorities of the General Post Office of Calcutta (which is located next to the Reserve Bank), through the good offices of the Post Master General of India, were able to arrange for the release of one of their employees who had been charged by the police for throwing bombs. The employees of the Bank felt that it should be equally possible for the Reserve Bank to obtain the release of the RBI staff member on bail. Meanwhile, the manager, Nangia, in a letter to the Central Office, suggested that as the normal flow of work in the Bank had been seriously affected due to the agitation and go slow tactics of the staff, the Bank might issue a notice in the local papers to the effect that: 'In the circumstances, the members of the public are informed that transactions are likely to be considerably delayed and it might not be possible to make payments of Government cheques on 29th of this month and 1st October 1970.'

Ranjit Kumar Dey was released on bail on 23 September 1970. The Employees' Association informed the manager that the Bank should take the wise step of not taking any action against Dey.

On 25 September 1970, a Bank employee, Ajay Sanyal, clerk gr. II (T) working in the Issue Department (General), was killed in police firing in the city in the early hours of the morning. The local employees of the Association gave a call for a 'pen down' strike for one hour, from 11 am to 12 noon, to mourn the death of their colleague and thereafter they observed a two-minute silence. The employees also refused to work overtime and left the office after office hours to participate in the agitation.

On 18 January 1971, Tapan Kumar Datta, coin/note examiner grade II, was arrested in connection with a reported dacoity in SBI's Chittaranjan branch. According to the Employees' Association, Datta was falsely implicated as he was present in the RBI office on that date, and it demanded immediate intervention of the Bank for his release from police custody. The police authorities informed the manager that the concerned RBI employee was not arrested in connection with the bank dacoity, that he was a Naxalite and had been arrested for some serious offence. The Association asked that the Bank should put pressure on the police authorities to secure Datta's release, failing which the employees would be compelled to resort to agitation. Tapan Kumar Datta was released on 18 January 1971.

On 25 July 1971, an RBI staff member, Harendra Bhattacharjee, residing at the Bank's staff quarters at Singhi Park colony, was arrested by the police in the early morning hours—along with another person who was stated to have been sheltered by him that night. Residents started an agitation over the entry of the police into the staff quarters, and asked the manager to approach the police for securing the release of Bhattacharjee. The entire class III staff left the seats to join the demonstration that was held at the Bank's office entrance. Representatives of the Association informed the manager that there had been a number of such cases of police harassment of its members, and, unless these arrests were stopped, they would have to intensify their agitation, culminating in complete stoppage of work. As part of the agitation they stopped overtime work and continued to hold regular demonstrations at the Bank's entrance. They also threatened that, if necessary, they would advise members to abstain from work on the government's pay day, to bring pressure upon the state government.

On 3 August 1971, the secretary of the Employees' Association addressed a letter to the Governor of West Bengal, routed through the manager, Reserve Bank of India, Calcutta, which said that a 'state of complete disaster and lawlessness has been prevailing in West Bengal since the imposition of the President's Rule in March 1970', and that there had been disruption of work in several walks of life and life had become insecure. It alleged that leaders and workers of trade unions and democratic movements were being murdered or frightened by the police, the CRPF, the military and gangsters organized by the ruling class, and urged that the reign of terror, lawlessness and anarchy come to an end. It threatened that workers of the Association would be forced to launch much higher forms of united action if necessary.

On 24 August 1971, another employee, Sudharshan Choudhry, coin/note examiner grade II, was arrested at his house. The staff again went on deputation to the manager for his release and held a massive demonstration near the entrance of the Bank.

Apart from the arrest of RBI staff members, the arrest of other government employees by the police also became a reason for agitations by the Association. As a result of such frequent agitations by the class III staff for reasons that were not connected with the functioning of the Bank, the Bank was not able to extend normal services to the central and state governments and to the public. In fact, the administrative machinery in the Calcutta office was preoccupied with staff agitations and the manager (Nangia) was busy writing daily letters to the Central Office apprising it of developments relating to the agitations of class III staff. Deputy Governor Damry, in a note to the RBI Governor, mentioned that the Bank was unable to appreciate why this sort of disruption should take place on account of matters totally unconnected with the Bank's working, namely, the arrest of an employee by the police acting on their own accord; he urged the Association to call upon its constituent units to restrain from such interference in the normal working of the Bank. The Deputy Governor suggested that if the Association did not cooperate in the matter, the Bank should put up the matter before Government of India without loss of time. This was the reasoning behind asking the government to declare the Reserve Bank's services as 'essential' under a statutory framework.

Agitation at Hyderabad, March 1972

The Hyderabad office of the Reserve Bank witnessed a violent and vociferous agitation by class III staff from 15 March right through up to 8 April 1972. The agitation was launched by the Employees Association, Hyderabad unit, against the posting of three economic assistants (from the Madras and Trivandrum offices) as staff officer grade II in the Agricultural Credit Department (ACD).

Prior to December 1967, the seniority of staff officers grade II in the ACD was maintained on an all-India basis. On a review of the position in December 1967, it was found that maintenance of the all-India seniority list was not conducive to the smooth working of the department. It was, therefore, decided that the all-India list should be split up into zonal seniority lists. For this purpose, the regional offices of the ACD were grouped into four zones, the southern zone consisting of Madras, Hyderabad, Trivandrum and Bangalore. After the splitting of the all-India seniority list, it became necessary to allot long-term vacancies of staff officers grade II in each zone to the seniormost eligible economic assistant in that zone. Under the scheme, it was decided that the posts of all the officiating staff officers grade II should be reviewed every quarter, and, if it was found that any junior employee was working against a long-term vacancy of staff officer grade II, the position should be rectified by transfer of the seniormost employee from another centre to that centre within the same zone.

Accordingly, three seniormost economic assistants (two from Madras and one from Trivandrum) were transferred to the ACD, Hyderabad, where three long-term vacancies of staff officer grade II existed. The Employees' Association opposed the transfer of these staff members to the Hyderabad office and urged the Central Office to cancel these postings. The Hyderabad unit of the Association informed the Central Office, through a telex on 8 March 1972, that any effort on the part of the management to make them report for duty at Hyderabad would be met with resistance, and the responsibility for the consequent industrial unrest in the office would rest solely with the management. On the same day, the Hyderabad unit sent another telex to the Central Office to the effect that, upon failure to cancel the transfers, the Association would immediately launch serious agitations including stoppage of work. On 11 March, in yet another telex message by the Hyderabad unit of the Association to the Central Office, it was stated that the vacancies of staff officer grade II in Hyderabad should be filled immediately without considering staff transferred from other centres. On 12 March 1972 (a Sunday), the assistant secretary of the Hyderabad unit of the Association delivered a letter dated 11 March to the manager at his residence, giving fourteen days' notice for a strike. A copy of the strike notice was also given to the Regional Labour Commissioner, Hyderabad.

The Assistant Labour Commissioner (Central) Hyderabad commenced conciliation proceedings on 14 March 1972, but the meeting had to be adjourned as Dr Raj Bahadur Gaur, president of the Employees' Association, was not available on that day. On 15 March 1972, Ramamurthy, the seniormost economic assistant from the Madras office, reported for duty at Hyderabad. The employees of the Hyderabad office went on an illegal strike from the afternoon of 15 March 1972. The following day, i.e. 16 March, was a holiday at Hyderabad and Bombay. The strike continued on 17 March.

The Central Office rushed two senior officers to Hyderabad in the morning of 18 March 1972 to hold discussions with the Association's representatives and to try to persuade them to call off the strike. They, however, failed to convince the local leaders of the Association. The agitation was further intensified. Thereafter, the management invited two representatives from Hyderabad to Bombay for discussions with officials at the Central Office, at the Bank's cost. Initially, the leaders of the Association accepted the offer but then they changed their minds and continued their agitation. On 25 March, two representatives of the Hyderabad Association came to Bombay on their own and had prolonged discussions with Central Office officials at a meeting where the general secretary of the all-India Association was also present. The discussions, however, proved futile. The Association leaders from Hyderabad insisted that they were not prepared to accept the three transferees from the Madras and Trivandrum offices and that would therefore continue their agitation, in different ways—by squatting on the floor in the manager's room, by shouting and singing 'bhajans' (prayer songs), and by preventing other employees, including officers, from working in the building.

On 29 March, the class IV union whose president was also the president of the class III Association, went on a strike in support of the agitation launched by the class III Association. The premises and furniture of the Bank were deliberately dirtied during the nights, with the result the manager could not use his own room. Agitating employees visited the Andhra Bank building, where some of the departments of the Reserve Bank were located, and broke some furniture. They entered the cabin of the deputy chief officer, shouted slogans, placed rubbish on his table, cut his telephone wire, and smashed his briefcase and threw it out of the widow. The agitating employees even tried to enter the room of the general manager, Andhra Bank, but were prevented by the police force.

On 30 March, when remittances of treasury worth Rs 19 crore, in 180 boxes, arrived from Nasik, the striking employees did not allow the boxes to be kept in the building's vaults. The manager called the secretary of the Association and explained to him that the treasury could not be left outside and that they should not obstruct the Bank from putting the treasury inside the vaults. Initially, the secretary said they would not object if the labour provided by the Bank's contractor was used for the purpose. However, when the contractor brought his labour force, the striking employees started threatening them with dire consequences if they handled the treasury boxes; they were therefore reluctant to help the manager in transporting the boxes into the building. As a last resort, the Manager arranged for some police force and, with the help of casual labourers, he was able to put the boxes inside the vaults.

Meanwhile, on 31 March, the Regional Labour Commissioner had sent a failure report to the government. The Bank continued its dialogue with the secretary of the all-India Reserve Bank Employees' Association and representatives of the Hyderabad office to resolve the issue. At last, on 8 April 1972, an agreement was signed between the management and the Employees Association, Hyderabad unit, and the strike was called off. The management agreed that the transfer and posting of staff officers grade II under the zonal seniority scheme in the ACD, Hyderabad, and at other centres, effected from 1 February 1972, would be regulated by the decision relating to the combined seniority list, etc. It would also ensure that the interests of the staff in the Hyderabad office were safeguarded, keeping in view their grievances. During the agitation, the working of the Bank had come to a standstill and services to the government and to banks had completely stopped. The work of the clearing house, that had already been paralysed from 3 March 1972, when employees of SBI and Andhra Bank went on agitation, stopped altogether with the Reserve Bank employees striking from 15 March 1972.

Staff Agitation, June 1972

In June 1972, class III employees went on an agitation against the emergency procedure for destruction of soiled notes. Though the system was introduced in 1964, the sudden provocation was the suspension of an employee in the Byculla office at Bombay, when he refused to accompany the remittances to Madras for destruction of soiled notes. The Employees' Association demanded that the Bank authorities should discontinue the dangerous procedure of destroying torn and soiled currency notes without prior scrutiny under what was termed as 'emergency special procedures'. The Association feared that this procedure might result in malpractices as well as reduction in the employment opportunities in the Bank.

The Bank's spokesperson clarified that the modified procedure had been adopted as early as 1964, 'keeping in mind fully the requirements of security'. He noted that there had been a large and almost unmanageable accumulation of soiled notes in the Bank's vault which could not be reissued. As for employment opportunities, he noted that over the last ten years, there had been a 100 per cent increase in the Bank's strength of coin and note examiners. The management also pointed out that this issue had not been raised at the negotiations held in 1970 and in May 1972.

Irrespective of this reasoning, the strike, first in the form of a 'sit-in' strike, began on 16 June 1972. On 19 June 1972, Madhu Dandavate, Member of Parliament and general secretary of the Socialist Party, wrote a letter to the Union Finance Minister to intervene and settle the dispute. On 17 June, N.D. Deshpande, president of the Indian Workers' Organization (the union representing class III employees, with significant support at Bombay), was suspended. Thereafter the employees started a 'pen down' strike. On 24 June, the Union Labour Minister, R.K. Khadilkar, called upon the class III employees to resume duty forthwith and to create an atmosphere congenial to holding bilateral talks.

During the agitation the Bank employees had the apprehension that the Bank would transfer currency from its vaults to the State Bank of India, located very close to the Bank's headquarters, to enable it to make payment of cheques drawn on the Reserve Bank of India. According to the Association spokesperson they came to know that the Bank had requisitioned private vehicles to transfer the cash some time during the night. On 28 June, more than a hundred RBI employees kept a watch at the headquarters of the Bank throughout the night, in a bid to stop dispatch of cash to the State Bank of India's vaults. On the same day, the Reserve Bank Employees' Association in Bombay called upon all its unions in the country to go on a 'stay in' strike on 29 June 1972. The press, meanwhile, took a critical view of the agitation. In a hard-hitting editorial, the *Times of India* of 27 June 1972 termed the agitation as 'strong-arm tactics' and the pen down strike as cynical. The editorial argued that the employees had no evidence to prove their charges since the modified procedure had been adopted by the authorities more than seven years ago, and that they had put the national interest in jeopardy. It said that the employees had deliberately resorted to false propaganda and strikes to cover up their real intention, which was to ensure that the authorities paid them substantial amounts of money every month by way of overtime. The editorial also called upon the Union Finance Minister to make efforts to suspend the agitation forthwith, failing which the Governor should be allowed to invoke emergency powers and declare the strike illegal.

The Bank management and the Employees' Association held several negotiations to resolve the strike. At midnight on 30 June 1972 they reached an agreement by which the suspension orders against the Bank employees who had refused to accompany the consignment of soiled notes to Madras would be withdrawn. The concerned employees would also not be chargesheeted. The wages for the strike period except for two Sundays would be recovered on an instalment basis, and the emergency and special procedures for destruction of soiled notes would be referred to a committee of the All-India Reserve Bank Employees' Association and the management. The strike was called off thereafter.

Kanpur Office, June 1972

In sympathy with their colleagues in Bombay, the class III employees of the Kanpur office of the Reserve Bank organized a demonstration that turned out to be violent. The manager (K.C. Banerjee) was gheraoed for many hours in his chamber. The manager recounted to the Central Office, in a letter dated 30 June 1972, the details of the incident. P. Dey, secretary of the Association, stood on a table (kept near the entrance to the manager's room) and spoke at length to his colleagues condemning the Bank's resort to the emergency/special procedures, and the unwarranted suspension of two employees of the Byculla office. The manager was asked to give his views on the procedures being adopted for the disposal of soiled notes. The manager spoke briefly, reiterating the management's views on the subject. An hour or so later, about thirty-five class III employees barged into the manager's room and informed him that they would come in batches throughout the day to voice their resentment. With more employees gathering, the manager was surrounded on all sides. They attempted to intimidate him into admitting that he was in complete agreement with the views expressed by them. One of the employees then asked the manager whether the Central Office had consulted him before resorting to the emergency/special procedures; the manager answered in the negative. The employee then shouted that the manager may as well vacate his chair and let a peon occupy it. The manager was not allowed to have lunch or do any work, including the approval of a press advertisement about the flotation of central government loans, which was to appear on 30 June 1972 in the newspapers. The employees occupied the room till about 5 pm, all the while shouting slogans and hurling insults. The manager showed enormous equanimity and did not seek police assistance.

The Central Office took strong exception to the behaviour of the Association and the employees, and it was decided to issue show cause notices to twenty-one employees. This affected industrial relations in the Kanpur office for almost two to three years, till it was decided to withdraw the show cause notice on the tendering of apologies by the concerned employees.

Officers' Agitation, 1975 and 1979

In the case of officers working in RBI, dearness allowance (DA) was not linked to the cost of living index, unlike in the case of class III and class IV employees. As a result, over 95 per cent of the officers, according to the Officers' Association, drew nearly Rs 400 less than employees in the lower cadre who were at the maximum of their pay scales. To resolve the anomally and neutralize the impact of inflationary pressures in the economy, officers of the Bank demanded higher DA based on the cost of living index for industrial workers. To pressurize the Bank management to concede to their demands, officers at different offices resorted to an agitation in February 1975 that lasted for two weeks.

About 1,000 officers of the Bank waited in deputation before a meeting of the Bank's Central Board of Directors in Bombay on 6 February 1975, seeking settlement of their demand for enhanced DA. The RBI Officers' Association and the RBI Staff Officers' Association announced that they would resort to work-to-rule all over the country from Monday, 10 February 1975. Governor S. Jagannathan told the deputation of officers that the Bank's Board had recorded that 'enhancement of the officers' dearness allowance was necessary and justified'. The Governor also mentioned that his proposals in this regard were awaiting the approval of the Union Cabinet.

The work-to-rule procedures adopted by the officers affected the cash and clearing transactions of the Bank. The working conditions in the Bank received a further jolt when class IV employees went on a flash strike in Bombay on some local issues, on 18 February 1975. Due to the strike of the class IV employees, dusting and cleaning work in the Bank came to a halt; as a result, class III employees whose tables and chairs were not dusted decided that they too would not work. Some commercial banks found it difficult to meet the demand for cash because they were not able to withdraw cash from the Reserve Bank. Hence many banks started placing restrictions on the withdrawal amounts of their clients. The general public was also inconvenienced, especially as they could not pay income tax. People going abroad and seeking foreign exchange release or any other authorization were also adversely affected.

The officers suspended their twelve-day work-to-rule agitation on 21

February, when the Governor informed them of the government's decision to grant an ad hoc increase in their DA, ranging between Rs 150 to Rs 240 per month, from January 1975. The Governor also announced ad hoc lump sum payments of Rs 1,050 and Rs 1,675 to officers in the pay range of Rs 851 to Rs 1,000. K.P. Augustine, convener of the Officers' Coordination Committee, said that the increase in DA was unsatisfactory, particularly at the higher and lower levels, and would not eliminate the anomalies. The Committee appealed to class IV employees to end their five-day-old agitation. The class IV employees responded positively to the appeal and called off their agitation on 22 February 1975. The press was critical of the agitation by officers of the Bank. The *Times of India*, in its editorial dated 24 February 1975, called the agitation irresponsible. On 4 March 1975, the Union Finance Minister (C. Subramaniam) admitted in the Parliament that there were anomalies in the pay scales of officers of the Reserve Bank, and that the government would soon take a decision in regard to the wage policy including the demand for dearness allowance.

RBI officers resorted to agitation again in December 1979 to demand pay revision. Over 6,000 officers in twenty-two offices all over the country went on mass casual leave on 21 December 1979, bringing work in the Bank to a near-standstill. The officers also announced a work-to-rule agitation the following day. Clearing houses announced that their operations would be restricted to one clearing on working days instead of the normal two or three in Bombay and other major centres; clearing houses in principal centres managed by the Reserve Bank did not function. Governor I.G. Patel appealed to the officers to withdraw their agitation in the interest of the society at large. On 24 December, after obtaining assurances of support from the Governor, the officers gave up their work-to-rule agitation.

Kanpur and Patna, 1977

On a local issue relating to the quality of cloth provided for liveries of class 'D' staff at Kanpur, the working of the Kanpur office of RBI was paralysed for twenty-one days. The prescribed material for summer liveries for this class of staff was drill cloth at all the offices but due to some misunderstanding, superior-quality cloth was used in 1970. Although this irregularity was noticed subsequently, the superior cloth continued to be in use due to pressure from the local unions. This matter was taken up with the All-India Workers' Federation in 1975 and it was decided that only drill cloth would be used in the future at all the offices. Accordingly, the uniforms in 1976 were made of drill cloth. Because of the Emergency, the unions did not raise any objection. After the Emergency was revoked in March 1977, the unions in Kanpur and Patna resorted to coercive methods demanding better-quality cloth—Binny Gaberdine No. 251 in particular—for their uniforms.

On 12 April 1977, Vindyachal Singh, an ex-class IV employee at Kanpur, whose services had been terminated by the Bank in 1975, along with about 50 class IV employees, barged into the manager's room. They shouted slogans, and demanded uniforms in the said quality, withdrawal of disciplinary proceedings against class IV employees and opening of the union's office in respect of which court cases were pending. They threatened the manager with assault if their demands were not met.

Meanwhile, the Bank referred the matter of liveries to the Assistant Labour Commissioner at Kanpur for reconciliation. The agitation intensified to such an extent that the manager's office was picketed and the manager was encircled. On 12 May 1977, the entire class D staff in Kanpur went on mass casual leave. On 2 June, the Union Federation declared total strike till the acceptance of their demands. The strike continued till 23 June (twenty-one days). The District Magistrate of Kanpur arranged a meeting between the management and office-bearers of the class 'D' union and got an agreement to end the strike. After a week, the Regional Labour Commissioner intervened and called two representatives of the Central Office and two representatives of the All-India Reserve Bank Workers' Federation to a meeting to work out the type of cloth to be supplied for uniforms. The request was for supply of cotton jeans; the Bank went further and supplied terrycot cloth for the uniforms in order to normalize the situation.

At Patna, class IV employees started an agitation from 15 April 1977 on the issue of liveries. They conducted mass deputations/demonstrations during office hours on a regular basis, outside and sometimes inside the manager's room. The manager was also encircled (gheraoed) in his office by some 50 to 60 class IV employees for about three-and-a-half hours on 23 April 1977. The gherao was ultimately lifted when the manager threatened to call in the police.

Staff Agitation for Pay Revision and against Computerization, Jaipur

There were numerous demands for pay revision raised by class III employees during the 1970s, with the exception of the years of the national Emergency. The Employees' Association submitted a charter of demands for wage revision in July 1974 for the Reserve Bank's consideration; to press their demands, they observed a one-hour strike on 10 June 1975. Soon thereafter the Emergency was imposed and the agitation was suspended. After the revocation of the Emergency in March 1977, the employees again started demanding consideration of their charter. The class III staff went on strike on 27 September 1977 and again on 30 December 1977. On 22 April 1979, the Bank installed a new computer in the Department of Statistics late at night. This led to a 'dharna' by the class III staff. The staff again observed a strike for one-and-a-half hours on 29 April 1979.

On 6 May 1978, the Bank entered into a bipartite agreement with the Association and agreed to concede to its first charter of demands. This, however, did not hinder consideration of a dispute regarding the payment of DA to the staff. Under the Bank's decision, only 90 per cent DA was to be added to the basic pay, while the Association desired to have 100 per cent DA added. The Bank also suggested a ceiling and tapering off of DA, a proposal that was rejected by the Association. As a protest against the Bank's approach to DA and as the negotiations on wage negotiations broke down, the class III staff observed a strike on 3 April 1979 and launched agitations in the form of 'go slow', mass deputations, demonstrations, work-to-rule, 'dharna', and 'no overtime', at all the centres of the Bank. The agitation intensified when it was decided to refer the demands to a tribunal. In some centres, particularly Jaipur, the agitation took a very violent form, forcing the government to issue a Presidential Ordinance on 4 July 1979, by which stoppage of work or instigation to stop work in the Reserve Bank became an offence for which the offender could be arrested on the basis of an FIR filed by the Bank authorities.

The agitation in the Jaipur office was aimed at what the staff called '*shanti bhang*' (destruction of peace). On 2 July 1979, the Jaipur unit of the Employees' Association issued a circular that instructions had been received from Bombay by the manager to suspend three employees at Jaipur. The manager did in fact issue the suspension orders on that day, at around 4.30 pm. Thereupon, about 70 class III employees, led by S.D. Khaspuria, secretary of the Association at Jaipur, and other activists, entered the manager's room, encircled him, turned off the lights, fenced the air conditioner, removed the receivers of both telephones, broke his portfolio, removed his chair and made him stand in a suffocating atmosphere and in sultry heat. They intimidated the manager and jeered at him in an insulting way; they asked him to withdraw the suspension orders on the three employees. This continued for over two hours. Finally, a police team came into the manager's room and escorted him out of the building into his car. About 70 class III employees, again led by Khaspuria, reached his residence and started shouting abuses.

Notwithstanding the Presidential Ordinance, the violent agitation of class III employees continued on 6 July 1979. On the advice of the Central Office, the manager (R.C. Mody) suspended the services of Khaspuria. Arrests were to be made in terms of the Presidential Ordinance but the leaders of the Association continued to shout slogans against the manager as well as the political leaders of the country. This was a time when political uncertainties were so sharp that the police officers were reluctant to arrest the agitating employees. On 13 July, the class III staff again had a massive demonstration. When the manager contacted the state government for help, he was informed that no concrete action could be taken due to political developments at the centre. Meanwhile, the leader of the class III Association at the all-India level, Ashis Sen, held negotiations with Deputy Governor Nangia on 19 July. The Bank showed willingness to revoke the suspensions and to treat the Jaipur incident, including the behaviour of Khaspuria, as a stray one. Ashis Sen thereafter visited the Jaipur office (on July 30) and held discussions with the manager. The talks failed as the manager took the stand that there would be no withdrawal of the cases and that Khaspuria should give him a private apology in writing. Ashish Sen had suggested a verbal apology.

The situation changed very quickly. The chief manager (K.C. Banerjee) of the Reserve Bank at Bombay informed the manager of the Jaipur office on 4 August that an agreement had been signed with the All-India Employees Association on resumption of talks without preconditions. It was also decided to withdraw the reference to the tribunal of wage revision, and to withdraw all FIR-based cases and cases of contempt. The suspension orders were also to be withdrawn, though gradually. There was no mention of any apology by Khaspuria. The manager's position was compromised but he seems to have taken the matter in his stride. The Presidential Ordinance was allowed to lapse.

Staff Agitation, 1981

The year 1981 witnessed violent agitations of class IV employees in the Reserve Bank, which paralysed normal functioning of the Bank in many centres, in particular Calcutta and Bombay. The seeds of these agitations were sown first in the Calcutta office in May 1978 by the Workers' Union, who demanded that the Bank should employ children of class IV staff against 42 vacancies that had been notified. This demand was unacceptable to the Bank, since the national policy was not to show any preference in the matter of recruitment. The agitation took the form of 'go slow', 'no overtime' and not allowing the staff to close their papers, thereby paralysing the work of sections where members of the class IV staff were absent. When C.V. Nair took over as manager, Calcutta, on 11 April 1981, he found that in almost all the departments, one or two sections were not functioning because of the absence of peons. In his letter to the Governor, Nair cited such instances in the Public Debt Office, Public Accounts Department, Issue Department and the Records Section. Besides, a number of highly restrictive practices and self-imposed norms of work were in vogue and were officially accepted by the management. There were, as a result, enormous arrears of work in all the departments.

The Workers' Union was active in creating obstacles to recruitment against the notified vacancies. As a result, the Bank had to approach the court to restrain the union. Despite the court orders, some activists continued to create obstacles and a case of contempt of court was filed against them. Meanwhile, the state government provided the necessary support for recruitment of staff against the notified vacancies. The government provided elaborate police arrangements on all the eleven days during which interviews and medical examinations were held in and around the area adjoining Maulana Azad College. Nair, in the meantime, discussed with various sections of the Workers' Union and convinced them that their demand was not justified, particularly since the state had large numbers of unemployed youth. As a result of his efforts, the call given by the union for a two-hour strike on the day of the start of the interviews failed to succeed.

The situation in Bombay turned out to be different. Agitation by the Workers' Federation became intense from 1 June 1981. On the fourth day of the agitation, the management served show cause notices to thirteen class IV employees and dismissal notice to Suryakant Mahadik, secretary of the federation. Mahadik took the stand that the agitation was not only for reservation of certain posts for their children, but also for liberal housing loans, promotions policy and switch-over of employees from one functional area to another in the same category. The agitating employees demonstrated and shouted slogans inside the premises of the Bank, and resorted to gherao of officials of the Public Accounts Department and Deposit Accounts Department, as well as the administrative section of the main office, disrupting normal work. As this was in violation of the Bombay High Court's order, contempt of court proceedings were instituted. The Bank advised the employees that they should strictly follow the staff regulations since there are well-defined policies of recruitment and promotion of class IV staff with matriculation as the qualification for the clerical cadre, and housing loans were given liberally and at concessional rates.

On 6 June, the Reserve Bank dismissed eleven of its class IV employees in Bombay on charges of misconduct and of adopting obstructive tactics to prevent other employees from doing their duties. Twenty-one employees were served with show cause notices as to why they should not be dismissed from the Bank's service. The RBI Employees' Association dissociated itself from the agitation of the class IV employees under the Workers' Union leadership, and called the demands of the union wrong, sectional and motivated.

On 12 July 1981, Governor I.G. Patel appealed to the agitating employees to call off their agitation but he was not heeded. On 15 July, the agitating employees abstained from work after signing the attendance register and staged an illegal sit-in strike without giving any notice. Some of them obstructed the work of the clearing house. Four class IV employees were arrested for criminal trespass and for intimidating certain officers from carrying on their duties. The Union Government took a serious view of the recalcitrant attitude of the agitating employees and supported the Bank management's recruitment policy. The agitation ultimately collapsed.

The above narrative of some major agitations is only illustrative. The fact was that whenever a demonstration or agitation by any class of employees took place in any office, employees of the same class in all the other offices responded positively by adopting an attitude of non-cooperation. There were also cases of sympathetic response from other staff members. There was all-round absence of discipline in the offices. In general, the class III and class IV staff associations/unions adopted a belligerent attitude towards officers who did not take adequate disciplinary action, probably, out of fear of repercussions, or because of uncertainty of support from the top management. Industrial relations could have been much better had the Bank taken strong disciplinary action within the law.

RESEARCH INPUTS

In this section, an attempt is made to present the Reserve Bank's endeavours towards collection of data, publication and analysis. The rationale for these arises in the context of the need to process massive data/information relating to exchange control and various economic and financial sectors, such as balance of payments, monetary and banking magnitudes, financial savings of the household sector, financial flows, company finances, etc. These are but a few of the areas in which the Reserve Bank of India, by virtue of the nature of its responsibility and independent decision-making role affecting the whole economy, plays the role of a primary data source. Economic Department and Department of Statistics played the crucial role, in coordination with other departments of the Bank, Governments and other institutions.

Collection and Dissemination of Information

The volume of data to be collected and processed on different financial and macroeconomic variables increased substantially over time, particularly during the period of this study. To give a brief historical background, the Reserve Bank collected data on a number of variables—foreign exchange rates, foreign exchange reserves, government securities (including treasury bills) transactions, bullion and commodity markets, call money, industrial security prices, balance of trade and balance of payments, bank deposits and advances, cash on hand with banks, balances with RBI, bills discounted, RBI's balance-sheet items and corporate finances—in a systematic fashion from the late 1930s.

The first issue of the *Report on Currency and Finance*, pertaining to the financial year 1938–39, contained a vast array of data and analyses based on the data. In July 1941, the Bank took over the compilation and publication of *Statistical Tables Relating to Banks in India* from Government of India. With the first issue being for the years 1939 and 1940, this publication was released thereafter by the Bank every year. In 1942, the RBI took over from Government of India the publication of *Statistical Statements Relating to Cooperative Movement in India*, and brought out the issue for 1940–41 for the first time. This publication was also thereafter released every year. The Bank also started to issue the monthly *Bulletin* in 1947, with a weekly supplement of statistical data. In July 1949, the first official estimates of India's balance of payments for the years 1946–48 were provided in the monthly *Bulletin*. In 1948–49, the Bank undertook, in preparation for the data requirements of the International Monetary Fund (IMF), a census of India's foreign liabilities and assets as of 30 June 1948, aimed at obtaining India's international investment position. In the same year, construction of the index of industrial security prices was also taken up by the Division of Statistics in the Department of Research and Statistics (DRS).

DRS undertook a number of surveys towards the end of the 1940s, most notably the ones on ownership of bank deposits and investments of banks, and on advances of banks. In 1949–50, the Division of Statistics brought out, in booklet form, the *Weekly Index Numbers of Security Prices (General Purpose Series)* for the period January 1946 to October 1949. From January 1950, the Division began to release the index number of security prices every week through the press. In the same year, the Division analysed the available balance sheets for the year 1947 of Indian joint stock companies other than financial concerns. Right from 1954 analyses of the finances of the corporate sector were made on a regular basis by the Division of Statistics (renamed Department of Statistics from August 1959) and these were published periodically in the monthly *Bulletin* of the Bank.

The Economic Department brought out a *Foreign Collaboration Survey* for the period 1960–61 to 1963–64 for the first time in 1968. Subsequently, this survey was undertaken every five years. The Economic Department was also involved in drafting the *Annual Report* of the Central Board of Directors and the *Report on Currency and Finance* (*RCF*), every year. These reports contained a considerable amount of macroeconomic information and analyses of developments in the Indian economy. The *RCF* was widely used by the academic community and the media for purposes of research, reactions to policy and collection of information on a time series basis. The Department of Statistics provided the data for the statistical part of *RCF*. The Economic Department was also involved in drafting the report on the *Trend and Progress of Banking in India*; this report gained critical importance after 1969.

In 1966–67, the Department of Non-Banking Companies conducted a survey of deposits as of 31 March, for the period 1962–65. This survey was subsequently conducted every year. The results of the surveys were periodically published in the monthly *Bulletin*.

The Reserve Bank also brought out a number of reports and seminar volumes on different subjects, helping the Bank's policy-making and working. Articles on themes relating to money, banking, finance and the external sector started appearing in the RBI *Bulletins* and the Bank's research journal from the mid-1970s.

Basic Statistical Returns, Some Research Works

The major developments of the period under study in this volume were in banking and finance. In 1968, in the context of the setting up of the National Credit Council (NCC), the Reserve Bank evolved the uniform balance book (UBB) system of reporting for commercial banks. It was designed mainly to provide a detailed and up-to-date picture of the flow of bank credit according to purpose, security and the interest rate. It had the twin objectives of ensuring a steady flow of information and minimizing the reporting load on branches. Information for the UBB proforma was required to be submitted by every bank office every month to the Division of Banking of the Economic Department. The proforma also provided for detailed reporting of account-wise information in regard to credit limits sanctioned and advances outstanding, according to the type of account, type of borrower, occupation, purpose, security and rate of interest charged. This was considered sufficiently comprehensive for policy purposes and was to eventually replace the purpose-wise survey of bank advances, fortnightly survey of advances and half-yearly survey of interest rates on advances. However, after a few rounds of the survey, it was noticed that the response from branches was poor and that the quality of reporting data was not up to expectations. Beset with these difficulties, the UBB had not gone beyond what could effectively be called the experimental stage.

Meanwhile, the nationalization of fourteen major Indian commercial banks required that more definitive shape be given to the collection of data on the pattern of credit. There were a large number of requests for giving particulars of loans and advances granted to specific industries or categories of borrowers in different states and districts. The Reserve Bank, therefore, constituted a Committee on Banking Statistics in April 1972 under the chairmanship of A. Raman, director, Credit Planning Cell, and with members from various departments of the RBI and commercial banks, to look into various aspects of statistical reporting by banks and to suggest appropriate measures to acquire the required data.

The Committee submitted its report in August 1972. The overall pattern of the statistical reporting system envisaged by the committee was designated as basic statistical returns (BSR). It was meant to obtain a steady flow of the required data from banks, and constituted the following returns.

1. *BSR 1*
   - Return on advances
   - Half-yearly
   - As on the last Friday of June and December
   - From all branches
   - In two parts
   - Part A for accounts with limits over Rs 10,000
   - Part B for accounts with limits of Rs 10,000 and less
2. *BSR 2*
   - Return on deposits
   - Half-yearly
   - As on the last Friday of June and December
   - From all branches

3. *BSR 3*
   - Return on advances against the security of selected sensitive commodities
   - Monthly
   - As on the last Friday of each month
   - From head offices
4. *BSR 4*
   - Return on ownership of bank deposits
   - Once in two years
   - As on the last Friday of March
   - From all branches (replacing annual survey from head offices)
5. *BSR 5*
   - Return on bank investments
   - Annual
   - As on the last Friday of March
   - From head offices (on the lines of survey of bank investments)
6. *BSR 7*
   - Returns on branch-wise deposits and gross bank credit
   - Monthly, changed to quarterly returns from August 1974

In addition to these, it was recommended that the survey of debit to deposits (Form T-1) be done once in three years instead of every year. This survey was subsequently renamed as BSR–6.

The Reserve Bank agreed with the recommendations of the Committee and took action to implement them. The Department of Statistics was charged with the responsibility of bringing out the BSR data. The dissemination of information of BSR returns was done through various publications brought out by the Bank. In the context of BSR 1 and 2, the publications are various volumes of *Banking Statistics: Basic Statistical Returns*, while the results of the BSR 7 quarterly return are brought out as a separate publication, *Banking Statistics: Quarterly Handout*. In the case of the other BSR returns, the results are published in the form of articles in various issues of RBI *Bulletin*.

The early studies of corporate finance covered only non-government non-financial public limited companies. Later studies covered private limited companies, as well as financial and investment companies. Banking, insurance and other financial companies, as also companies limited by guarantee and associations and organizations functioning on a no-profit basis, were outside the purview of these studies. Initially, the focus of the studies was on capital formation and industrial profits; in due course, other financial magnitudes, rates and ratios were developed so as to provide a better understanding of the economic strength of the corporate sector. Further, studies on government companies were also prepared from 1959–60 to 1978–79, and separate studies were published in respect of the finances of branches of foreign companies and foreign-controlled rupee companies.

The Reserve Bank also conducted, through its Department of Statistics, large-scale sample surveys on an all-India basis, adopting scientific sample designs. These included: (i) Debt and Investment Survey; (ii) Small-Scale Industrial Units Survey; (iii) Survey of Traders and Transport Operators; (iv) Survey of Small Borrowal Accounts. One of the major surveys undertaken by the Bank was the All India Debt and Investment Survey. This was conducted decennially with the main objective of building dependable estimates of assets and liabilities, borrowings, capital formation, etc., of rural and urban households, at all-India and state levels. The first two of these surveys, viz. the All-India Rural Credit Survey (AIRCS) 1951–52 and the All-India Rural Debt and Investment Survey (AIRDIS) 1961–62, conducted by the Department of Statistics, covered only the rural areas of the country. These were followed by various annual follow-up surveys on different aspects of rural credit. Their scope was enhanced to include both rural and urban households from the third decennial survey, from 1971–72 onwards. The reports of the surveys were prepared jointly by officers of the Department of Statistics and the Economic Department. The fourth survey, viz. All-India Debt and Investment Survey 1981–82, formed a part of the NSSO's 37th Round. The sampling design for the debt and investment surveys was a two-stage, stratified one, with census villages (in the rural sector) and urban blocks (in the urban sector) as the first-stage units, and households as the second-stage units—except for the 1951–52 survey, in which districts were the first-stage units, villages the second-stage units and households the third-stage units. For the purpose of selecting households, the selected villages/urban blocks were divided into sub-strata based on the criteria of landholdings (in the case of the rural sector) or monthly per capita consumer expenditure (in the case of the urban sector).

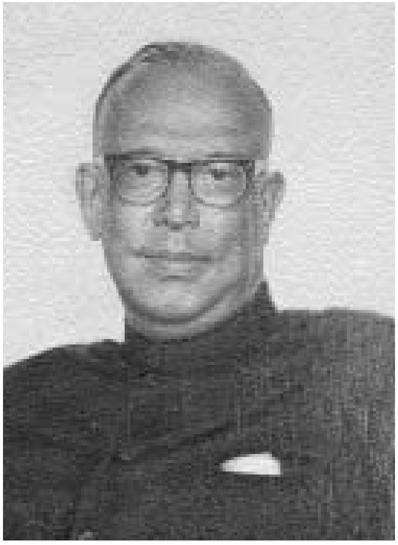
In 1977, the Reserve Bank conducted a Survey of Small Scale Industrial Units since small-scale industries (SSIs) were considered as part of the 'priority sector' for purposes of bank finance. The survey collected both quantitative and qualitative information, with different aspects of management and performance of bank-financed units as also the customer service rendered by financing banks being covered under the qualitative aspect. The survey thus covered all SSI units assisted by commercial banks and under the Credit Guarantee Scheme. April 1976–March 1977 was taken as the reference year and fieldwork for the survey was carried out by the staff of the financing banks. The sampling design was a two-stage, stratified one, with bank branches forming the first-stage units and assisted SSI units of the branch being the second-stage units. The survey data were collected through a set of three schedules relating to (i) assets, liabilities and other economic parameters of the selected unit, (ii) the financing bank's appraisal of the selected unit, and (iii) the customer service provided by the banks. The results were published in two volumes of statistical reports, and the analysis of the results appeared in the form of an article in the RBI *Bulletin*.

In 1979–80, the Reserve Bank's Department of Statistics conducted a Survey of Traders and Transport Operators, to collect information on the organizational, financial and operational aspects of different segments of priority sectors, and with a view to assisting formulation of appropriate credit policies. The objective of the survey was to yield estimates of important economic characteristics in respect of three populations, viz. retail traders, wholesale traders and transport operators, besides qualitative data on management and performance of the assisted units and the customer service rendered by banks. The end of the accounting year in the one-year period preceding the month of investigation formed the reference period of the survey. The samples of traders/transport operators were selected through a two-stage, stratified random sampling procedure. The financing bank branches formed the first-stage units, while separate samples for each of the three occupations (retail trade, wholesale trade and transport operators) constituted the second or ultimate-stage units. The results of the survey were released in the form of statistical reports and articles in the RBI *Bulletin*.

In the system of basic statistical returns, introduced in 1972, data on bank credit were collected through the BSR 1 return consisting of two parts. Part A called for account-wise detailed data in respect of accounts having a credit limit above a predetermined cut-off limit. While branch-level and occupation-wise consolidated data for other accounts (referred to as small borrowal accounts) were small in total bank credit, the small borrowal accounts were significant in terms of credit to the priority sectors.

The Survey of Small Borrowal Accounts was conducted with the objective of obtaining a profile of small borrowal accounts and the structural pattern of these accounts according to important characteristics such as size of credit, occupation, loan scheme, gender, etc. The first survey was conducted by the Department of Statistics with the last Friday of September 1979 as the reference date. The sample design of the survey was a two-stage, stratified sample, with bank branches as first-stage units and borrowal

GOVERNORS OF THE RESERVE BANK OF INDIA, 1967–1981



1 P.C. Bhattacharyya
(March 1962 to June 1967)

2 L.K. Jha
(July 1967 to May 1970)

3 B.N. Adarkar
(May 1970 to June 1970)

4 S. Jagannathan
(June 1970 to May 1975)

GOVERNORS OF THE RESERVE BANK OF INDIA, 1967–1981

5 N.C. Sen Gupta
(May 1975 to August 1975)

6 K.R. Puri
(August 1975 to May 1977)

7 M. Narasimham
(May 1977 to November 1977)

8 I.G. Patel
(December 1977 to September 1982)

9 Courtesy *Times of India*, July/August 1973

10 Courtesy *Times of India*, 19 January 1977

11 Board meeting in progress

12 Board meeting in progress

13 S.B. Chavan (*left*) with K.R. Puri (*right*)

14 Governor Narasimham (*left*) with foreign dignitary (*right*)

15 Dr K.S. Krishnaswamy

16 R.N. Malhotra, Secretary, Ministry of Finance (*left*) and
I.G. Patel, RBI Governor (*right*) in conversation

17 Bimal Jalan, Economic Advisor, Government of India (*left*) and
I.G. Patel, RBI Governor (*right*) in conversation

18 Conference of In-charges of the Department of Banking Operations and Development at various centres, 25 May 1976
Left to right: P.R. Nangia (Deputy Governor), K.R. Puri (Governor), K.S. Krishnaswamy (Deputy Governor), J.C. Luther (Executive Director), C.L. Thareja (Chief Manager)

19 Conference of In-charges of the Department of Banking Operations and Development from various centres, 1 March 1978.
Front row, left to right: A.N. Bhattacharya (Joint Chief Officer), N. Vagul (Director, NIBM), A.K. Bhuchar (Additional Chief Officer), S.R. Avadhani (Additional Chief Officer). *Back row, left to right*: K.B. Chore (Joint Chief Officer), A. Ramanathan (Deputy Chief Officer), S. K. Kapur (Deputy Chief Officer), M.C. Chetty (Deputy Chief Officer)

You said it

What's the idea? Are you trying to humiliate me by asking all sorts of personal questions about my assets, securities, liabilities, etc?

20 Courtesy *Times of India*, May/June 1978

21 In-house conference, 6 August 1979
Left to right: K.R. Subrahmanyan (Additional Chief Officer), K.B. Chore (Chief Officer), I.G. Patel (Governor), K.S. Krishnaswmay (Deputy Chief Officer)

22 V.B. Kadam , Adviser, Economic Department (*left*); H.B. Shivamaggi, Adviser-in-Charge, RPCD (*middle*); W.S. Tambe, Executive Director (*right*)

23 K.C. Banerjee (*left*) and M.V. Hate (*right*)

24 I.G. Patel, Governor (*left*); N. Ramakrishnayya, Deputy Governor (*middle*); P.R. Nangia, Deputy Governor (*right*)

25 Courtesy *Times of India*, December 1978

26 *Left to right*: Finance Minister, RBI Governor, Minister of State for Finance

27 Conference of In-charges of the Department of Banking Operations and Development from various centres, 19 February 1981
Left to right: I.G. Patel (Governor), W.S. Tambe (Executive Director), D.C. Rao (Special Adviser), K.C. Banerjee (Executive Director), M.V. Hate (Executive Director), V.B. Kadam (Adviser, Economic Department)

28 Governor S. Jagannathan with staff of the Regional Office at Srinagar

29 Members of the Committee of Parliament on Official Language
entering Bankers Training College, Bombay, 8 January 1979

30 Courtesy *Times of India*, 16 April 1980

31 Finance Minister R. Venkataraman inaugurating the new Central Office Building, Bombay

accounts as second-stage units. The results of the survey were released in the form of articles in the RBI *Bulletin*.

A study by V.V. Divatia and Ravi Varma of the Department of Statistics presented estimates of the utilization of available productive capacity in select manufacturing industries in India. This was the first study on the subject. It appeared in 1968 in the RBI *Bulletin*, and pertained to the years 1965, 1966 and 1967, using conventional installed capacity figures obtained under the licensing regime. In 1970, the Department published estimates of 'potential utilization rate' for manufacturing industries in India for the years 1960 to 1968. Potential production was considered to be a result of several factors, such as installed capacity, the extent of availability of inputs, the availability of skilled labour and the demand situation.

Monthly data of the financial time series reflected the combined influences of secular trends, cycles, seasonal variations and irregular fluctuations. For better appreciation of the trend-cycle movements underlying the time series, it became necessary to adjust the data for intra-year movements, i.e. seasonal variations. For this purpose, seasonal factors were derived and the adjusted series for seasonal variations were worked out based on the X–11 variant method developed by the US Bureau of Census. The seasonal pattern in the selected financial time series for the period April 1950 to March 1956 was first published in the December 1956 issue of the RBI *Bulletin*. Subsequently, the exercise was extended to the period 1951–52 to 1963–64. A separate series for wholesale price indices was brought out in the June 1965 issue of the RBI *Bulletin* for the period 1951–52 to 1964–65. Similar data were regularly published for the subsequent years.

Prior to 1970–71, the State Bank of India (SBI) acted as the RBI's sole agent for the conduct of government business, under Section 45 of the RBI Act. The rates of commission were to be reviewed every five years on the basis of actual costs of conducting government business, in accordance with the formula drawn up by Sir James Taylor, the then Governor of RBI. The scheme of computing costs and reviewing commissions continued till 1969–70 under the Taylor formula through bilateral negotiations. However, both RBI and SBI felt that the formula did not take into account several items of expenditure for the purpose of computing the costs of conducting government business, and did not reflect the true costs of conducting government business in view of SBI's activities and wide range of functions. Accordingly, the RBI appointed a Committee in December 1973 under the chairmanship of Rameshwar Thakur, a chartered accountant of repute, to investigate the costs of conducting government work by the SBI and to recommend rates of commission for the period 1970–71 to 1978–79. Two senior officers, one each from the RBI and SBI, were appointed as members of the Committee. After detailed examination of the matter, including the data submitted to it, the Committee submitted its report in August 1975. It recommended commission at the basic rate of 9.25 paise per Rs 100; accordingly, this commission was paid to SBI up to 1978. Also, as recommended by the Committee, a similar study to compute the costs of conducting government business by associate banks of the SBI was undertaken by the Reserve Bank's Department of Statistics, and the basic rates of commission payable to them for the period ended 1978 were thus determined. The rate of commission applicable to SBI was also made applicable to the fourteen scheduled commercial banks that were nationalized in 1969, and which were entrusted with government work subsequently.

After successful completion of the first Census of India's Foreign Liabilities and Assets as on 30 June 1948, the Reserve Bank conducted three more surveys, in 1953, 1955 and 1961, which were published as ad hoc reports in 1955, 1957 and 1964, respectively. Owing to the magnitude of efforts required to conduct comprehensive census/surveys, annual assessment in a summarized form with a link to the results derived from the detailed benchmark surveys were undertaken thereafter, and published in the monthly *Bulletin*. The annual assessments reviewed both the flow of foreign investment during the year and the volume of foreign investment outstanding at the end of the year.

The depth of research work undertaken by the Reserve Bank, particularly its research and data-related departments, may be gauged by the quality of the *Annual Report* and other publications of the Bank. These included the *Reserve Bank of India Occasional Papers* series, whose objective was to publish high-quality research papers by Bank officials based on empirical work on various economic issues, which might be useful to interested policymakers and researchers. The *Occasional Papers* were well received both internally and externally. The papers selected for publication were subjected to an extensive review process using internal experienced and knowledgeable referees. The views presented in the published papers, however, did not necessarily reflect the position of the RBI, although they did not criticize the Bank's and government's policy. Many of the findings in the papers were used for future policy discussions. The *Reserve Bank of India Occasional Papers*, issued twice a year, did not also cover external and internal comments/criticism on the works published.

Reserve Bank of India: Functions and Working entered its third edition in 1970, having been first published in 1941 and had a second edition in 1958. The volume presented a concise and updated narration of the responsibilities and functions of the RBI in the areas of central banking, banking and financial regulation, international finance and other related areas. The volume was found very useful by students, the teaching fraternity and professionals.

The Reserve Bank took the initiative to broadbase training in various aspects of banking and finance by setting up the Cooperative Bankers Training College in Pune in 1969, in order to make officials of cooperative banks better professionals. Other training colleges of the Bank were strengthened to conduct effective programmes on banking operations and related issues. The Bank's initiatives towards encouraging a proper mindset for modern banking were really commendable and pro-active.

Officials particularly from Economic Department and Department of Statistics were effectively involved with the deepening of empirical macroeconomic research of the economy. The Bank played a very useful role to encourage economic research as well as data mining of the country through financial as well as intellectual supports. Besides, the Bank gradually progressed to be a significant employer of economists and allied professionals. Governors, Deputy Governors and senior officials of the Bank regularly took part in various public deliberations on various issues, mainly concerning the central banking. Many new central banks as well as institutions used the Bank's knowledge and experience over the years.

FINANCIAL ACCOUNTS OF THE BANK

The Reserve Bank has been bringing out the main items of its liabilities and assets every week, for submission to the Committee of the Central Board of Directors and to the government, ever since it was nationalized. It has also been giving details of its liabilities and assets as well as its profit and loss accounts every year to the Central Board of Directors, in the month of August, and sending them to Government of India along with the *Annual Report*. The Bank's accounting year has been July–June. Its liabilities and assets are given separately for the Issue Department and for the Banking Department—a distinction modelled on the Bank of England pattern. The issue of notes was to be conducted by the Bank in its Issue Department, which was to be separated and kept distinct from its Banking Department.

The Bank's income emanates from (i) interest earned on rupee and foreign securities; (ii) interest earned on loans and advances to banks, state governments, etc.; (iii) discount earned on rupee and foreign treasury bills, and internal bills; (iv) receipt on account of exchange from purchase and sale of foreign currencies, transfer of foreign currencies on government account, and issue of drafts, telegraphic transfers under the Remittance Facilities Scheme; and (v) commission earned on account of management of public debt of both the central and state governments, and purchase and sale of securities on account of governments and others. The income has always been expressed in net terms after making the statutory provisions.[4] On the expenditure side, the major items are establishment charges, agency charges and security printing. The table on the next page provides a view of the acc-ounts between 1966 and 1982.

Establishment expenditures, followed by agency charges and security printing (of cheques and notes), formed, in the initial years of this study, around one-fourth of the total net income (or expenditure, including surplus paid to the government); this went up to above 45 per cent by the end of the period of the study. Establishment expenditures rose from Rs 8.9 crore at end-June 1966 to Rs 76.2 crore at end–June 1982, i.e. at an annual compound rate of 14.4 per cent. This reflected the sharp growth in staff strength as well as revisions in pay and allowances. Agency charges increased from about Rs 3 crore in 1966 to Rs 70 crore in 1982, i.e. at an annual compound rate of 22.9 per cent. This increase reflected the growing dependence of the Bank on commercial banks as its agent, for performing different functions relating to currency distribution, remittances and other banking requirements. The increase in security printing during the period reflected the sharp rise in the volume of transactions and the growing use of banking facilities. The surpluses paid to Government of India increased by four times, from Rs 50 crore in 1966 to Rs 210 crore in 1982.

The net income growth of the Bank during the period of study, from Rs 67.5 crore at end-June 1966 to Rs 411.8 crore at end-June 1982, was impressive. The annual compound growth in income was about 12 per cent. This was largely facilitated by the fact that interest income on Government of India rupee securities and discounts on treasury bills increased sharply owing to the government resorting to credit from the Bank. Since the boost to income was mainly on account of the government, it was obvious that the surpluses payable to the government would increase, assuming that there were adequate expenditure control mechanisms within the Bank, and the provisions on account of the national agricultural and industrial credit funds were reasonable. Such provisions led to an increase in the total

[4] The provisions include (i) interest paid to scheduled banks on the additional average daily balances maintained by them with the Reserve Bank; and (ii) transfers to NAC (LTO) Fund, NAC (Stab) Fund and NIC (LTO) Fund.

Table 1 RBI Accounts, 1966–82

(Rs crore, rounded off)

End-June	Income (excl. provision)	Surplus paid to govt.	Establishment expenses	Agency charges	Security printing	Other expenses (derived)*
1966	67.5	50	8.9	2.6	3.9	2.1
1967	85.1	60	10.2	7.8	4.7	2.4
1968	92.9	65	11.2	8.7	5.0	2.5
1969	99.4	70	14.3	6.7	5.1	3.3
1970	105.5	75	14.8	7.0	4.7	4.0
1971	136.5	100	20.6	7.2	4.9	3.8
1972	157.2	120	20.9	7.3	4.8	4.2
1973	171.3	130	22.9	8.3	5.0	5.1
1974	195.5	145	28.5	11.2	5.2	5.6
1975	228.0	150	34.7	31.3	5.8	6.3
1976	295.0	190	35.5	43.0	14.4	12.1
1977	297.3	200	35.5	35.5	19.4	6.9
1978	316.8	200	39.6	42.0	21.6	13.6
1979	320.3	200	44.7	46.0	24.3	5.2
1980	347.4	210	55.8	52.2	20.2	9.2
1981	373.9	210	71.8	56.1	23.2	12.8
1982	411.8	210	76.2	70.2	41.6	13.8

Note: *Other expenses include: Directors' and local board members' fees and expenses; auditors' fees; rent, taxes, insurance, lighting, etc.; law charges; postal and telegraph charges; remittance of treasure; stationery, etc.; depreciation and repairs to Bank property; contributions to staff and superannuation funds; and miscellaneous expenditures.

outstanding funds from Rs 151 crore at end-June 1966 to Rs 3,560 crore at end-June 1982, i.e. an increase of Rs 3,409 crore over the sixteen-year period, for facilitating long-term industrial growth and short and long-term growth of agriculture. The provisions for funds increased continuously but more significantly from 1974 onwards.

The Bank's functioning was, as expected, factored by developments in the domestic sector as well as the external sector. The Bank's core policy i.e., monetary policy (mainly in practice, credit policy), worked in tandem with the thrust of the overall economic policy which was deeply socially oriented. However, some important developments in the external economy had some notable bearing on the Bank's perception as well as functioning and thus, in the remaining chapters attempts were made to capture those developments.