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Communication Practices

INTRODUCTION

Transparent and consistent communication¹ strategies hold the key for a central bank to enhance the efficacy of its policies, especially the monetary policy. They help reduce uncertainty and information asymmetry across sections of stakeholders, thereby strengthening the formation of expectations in the financial markets. There are two facets of communication, namely, external and internal. The latter involves exchange of information and dialogue between departments and communication between the management and staff. While external communication shapes market expectations, internal communication facilitates trust building and inculcates a sense of belonging among the employees, thereby leading to increased productivity and efficiency. Further, central banks disseminate a variety of macroeconomic data and information through the electronic media as well as through publications. The large variation in

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1. The Reserve Bank had been entrusted with the responsibility to prepare its Annual Report (RBI Act, 1934) and the Report on Trend and Progress of Banking in India (Banking Regulation Act, 1949). Besides, from its early years, the Bank had been publishing the Report on Currency and Finance (RCF) and the monthly bulletin (1947). During the 1960s and 1970s, the Bank's new publications included, Reserve Bank of India: Functions and Working (1941, 1958, 1970 and 1983) and the RBI history [(1935–1951), (1951–1967) and (1967–1981)]. No doubt, there was early recognition on the part of the Reserve Bank to disseminate information about its functions but it was only in the 1990s that serious efforts were made to develop a communication policy and strategy, especially after the launching of the economic and financial sector reforms. This is the first time that the topic of communication is being dealt with as a separate chapter. Therefore, while the main focus of this chapter is on developments in this area during 1981–1997, the events of earlier period have also been covered in brief, wherever found necessary.

communication strategies across central banks suggests that a consensus is yet to emerge on what constitutes an optimal communication strategy.²

Communication is not just about transparency. It is also about publicising, guiding and steering matters in the desired direction. Communication is effective in conditions where markets are well-developed and the regulatory framework is strong. In this, the central bank can be an honest channel between the Government and the public and even Parliament.³ Historically, central bank communication is known to guide market perceptions and reactions. Mr Alan Greenspan, Chairman, Federal Reserve Board was known for being adept at guiding the Board to consensus on policy issues and his public statements and comments influenced the behaviour of participants in the financial markets in the manner intended by the Fed. Following the stock market crash of October 19, 1987 in the US, Chairman Greenspan issued a statement before the start of trading on October 20, 1987:⁴

The Federal Reserve, consistent with its responsibilities as the nation's central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system.

The market rallied immediately, posting a record one-day gain of 102.27 points the very next day and 186.64 points on October 22, 1987. By September 1989, the market had regained all of the value that it lost in the crash.⁵

The consequences of central bank communication can be decisive for the markets. It was historically construed that central bank communication needed to be understood in terms of 'constructive ambiguity', a term popularised by President Gerald Corrigan of the Federal Reserve Bank of New York. It was believed that the financial markets watched for pauses

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2. Blinder, Alan S., Michael Ehrmann, Marcel Fratzscher, Jakob De Haan, David-Jan Jansen (2008). "Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence", *NBER Working Paper* No. 13932.
 3. Dr I.G. Patel's address to the SAARC Governors' meeting on Communication in Central Banks, which was scheduled for December 2004, was cancelled due to the tsunami and quoted in remarks by Dr Y.V. Reddy, Governor, Reserve Bank of India at the 7th Bank for International Settlements (BIS) Annual Conference at Lucerne, Switzerland on June 26, 2008.
 4. www.federalreserveeducation.org. "History of the Federal Reserve 1990s: The Longest Expansion". Federal Reserve Education.
 5. Itskevich, Jennifer (2002). "What Caused the Stock Market Crash of 1987?", *George Mason University's History News Network*, July 31.

in central bank communication, and some punctuation marks in the text statement had the possibility of getting transmitted through the movement of a few points in the yield curve. Against the backdrop of plausibility of such consequences, which could be measured in millions of rupees or dollars, communication in central banking indeed was a serious matter.⁶

Monetary policy communication is particularly important. One of the most significant developments of the Greenspan era was the evolution towards greater transparency and therefore, more attention was devoted to communication in formulating the US monetary policy. He transformed the Federal Reserve into an institution that embraced the benefits of transparency. In 1994, under Mr Greenspan's leadership, Fed began to publicly disclose its policy actions.⁷

Even much earlier, in the early 1980s, the Governor, Dr Manmohan Singh, had highlighted the importance of communication for the central banks in their functioning. Speaking at a seminar organised by the Maharashtra Economic Development Council,⁸ he averred that the policies of a country's central bank and monetary authority had profound implications for the functioning of any modern economy and, therefore, it was appropriate that these policies should be a subject matter of public concern and debate. He further emphasised:

Unfortunately, central bankers are often a very shy group of people. They are particularly not adept in techniques of mass communication. As a result, central banking policies are not always well understood and appreciated even when they are based on sound logic and empirical analysis.

Dr Manmohan Singh's successors went a step further in explaining the rationale of the policies of the Bank through speeches delivered at different forums. It was during the latter half of the 1980s that there was a noticeable rise in the number of speeches and such orations became an important element of the communication strategy at the Reserve Bank.

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6. Mohan, Rakesh (2005). "Communications in Central Banks: A Perspective". *SAARCFINANCE Governors' Symposium*. Mumbai. September 9.
 7. Macklern, Tiff (2005). "Central Bank Communication and Policy Effectiveness". Commentary at the symposium *The Greenspan Era: Lessons for the Future*. Sponsored by the Federal Reserve Bank of Kansas City. August 25-27.
 8. Singh, Manmohan (1982). *Credit Policy of the Reserve Bank of India*, Inaugural Address at a seminar organised by the Maharashtra Economic Development Council, Bombay, November 18.

THE INDIAN SETTING

Communication has remained a significant aspect of central banking in India since the inception of the Reserve Bank in 1935. Although the role played by communication was recognised, there existed practices of communication, but a formal policy in this regard does not appear to have been in place until recently.⁹ Communication took the form of information dissemination either through official circulars to banks, publications or speeches by the top executives. Over time, with the organisational evolution of the Reserve Bank in response to its functional progression, the role played by the Reserve Bank in the Indian economy expanded. This led to the streamlining as well as the fanning out of modes of communication. Communication practices, as a matter of fact, were still evolving and improved communication was accorded a special focus in the Reserve Bank in relatively recent years. The technological improvements through the years facilitated faster communication, thus saving time and enhancing productivity and efficiency.

EARLY HISTORY

The beginning of information dissemination could be traced to publishing of the first Annual Report in 1936, which had a limited scope and presented the financial accounts of the Reserve Bank. In 1937, the statistical section of the Agriculture Credit Department (ACD) brought out the first issue of the Reserve Bank's RCF, covering the years 1935–36 and 1936–37. This report presented an account of the major developments in different sectors of the economy during these years. The report was, thereafter, put out annually and was one of the first steps in evolving a communication strategy for the Bank. The efforts in this domain received a stimulus in 1945 with the setting-up of the Department of Research and Statistics (DRS), which was entrusted with the task of publishing various reports and research papers on issues of economic interest. These were essentially meant for publicising central bank perceptions and other information. The DRS embarked upon the publication of the Reserve Bank of India monthly bulletin along with its weekly statistical supplement (WSS) in January 1947. This endeavour reflected the fact that the Reserve Bank was well ahead of its contemporaries in the matter of communication and information dissemination. There was further progress when, under the provisions of the Banking Regulation (BR) Act, 1949, the Reserve Bank

9. The communication policy of the Reserve Bank of India was framed in July 2008.

was assigned the responsibility of submitting the Report on Trend and Progress of Banking in India to the Central Government as a statutory annual publication.

To strengthen the Bank's efforts in communication, a separate cell was carved out within the Economic Department in 1969 (erstwhile DRS), under the charge of a Press Relations Officer (PRO). The PRO, for which the first incumbent was appointed in September 1970, not only looked after the dissemination requirements of the Reserve Bank but also that of the Industrial Development Bank of India (IDBI), the Agricultural Refinance and Development Corporation (ARDC) and the Deposit Insurance and Credit Guarantee Corporation (DICGC). The office of the PRO was moved to the Secretary's Department in 1970 to handle matters relating to public and press relations and in 1972, it was converted into a full-fledged press relations section.

Prior to the formation of an equipped division, the division of publications and press relations in the Economic Department of the Bank handled matters relating to communication. The division was delegated with the charge of bringing out various publications of the Bank such as the Annual Report, RCF, Report on Trend and Progress of Banking in India and the monthly bulletin, among others. It also issued press releases relating to various departments of the Bank and promulgated policy changes, as and when required. The reach of these releases was, however, limited to select newspapers and journals published from Bombay.

In March 1978, the post of the PRO was upgraded and the section was renamed the press relations division (PRD). The officers, except for the head of the division, were drawn from various departments of the Reserve Bank. The PRD also monitored media reports relating to the Reserve Bank and the banking and financial system, and provided an account of the same to the top executives of the Reserve Bank. The PRD published brochures, leaflets and booklets for exposition of various schemes introduced periodically by the Bank to the staff. Specific initiatives taken by the PRD were, *inter alia*, a special handout issued on the anniversary of the nationalisation of banks that highlighted the progress made by commercial banks in expanding their branch network, mobilising deposits and providing credit facilities to the priority sector. During 1981–82, the PRD released a revised edition of the booklet, Exchange Control: Non-Resident Indians and five brochures on various staff amenities, such as the leave fare concession scheme, medical facilities for workmen employees, the housing loan scheme, medical facilities for officers, and facilities on tours

and transfers. A leaflet on Know Your Bank and a folder on ledger posting machines for familiarisation of the mechanisation being undertaken in the Reserve Bank were also prepared and circulated by the PRD.

CHANNELS OF COMMUNICATION

The Reserve Bank's communication network can be grouped into three major categories: internal communication, communication between the Reserve Bank and the banking system, and external communication. In terms of channels, communication took place through: (i) publications (including circulars/notifications); (ii) speeches; and (iii) others.¹⁰ While periodic publication of the monthly bulletin, reports, newsletters and pamphlets provided a wealth of information on macroeconomic developments and the working of various schemes supported by the Reserve Bank, the speeches by the Governors and Deputy Governors gave insights into the Reserve Bank's perspectives on varied issues. Other endeavours included the creation and maintenance of a Reserve Bank website, improving internal communication by encouraging the publication of in house magazines and bringing out handouts on various welfare schemes promoted by the Bank.

There was lack of effective inter-department communication in the Reserve Bank prior to the 1990s. This limitation was in fact perceived to be one reason for the delayed recognition of the irregularities in the transaction of government securities leading to the securities scam in 1992. The Janakiraman Committee¹¹ on irregularities in government securities' transactions recommended that the Reserve Bank should strengthen its market intelligence mechanism for timely detection of such events to enable initiating early action. Pursuant to the recommendations of the committee, a market intelligence cell (MIC) was set up in the Bank in 1992–93 to follow market developments. The cell was created as a separate entity and in addition to the banking intelligence unit within the Department of Banking Operations and Development (DBOD). The cell communicated with various departments of the Bank and collected sensitive information from the markets on areas of special interest to the

10. Others consist of reports of the committees/working groups set up by the Reserve Bank from time to time and research studies on policy-related issues (Development Research Group [DRG] studies) by the staff and outside expert(s). The Annual Report from 1993 onwards and the RCF subsequent to 1993 contained critical evaluation of economic developments.

11. For details refer to chapter 17: Reforms in Banking and Financial Institutions.

Reserve Bank. Further, the Bank formed inter-department groups to share sensitive information related to the markets and to monitor the flow of funds.

RESERVE BANK OF INDIA PUBLICATIONS: CANVAS AND CONTENT EXPANDED

ANNUAL REPORT

The Annual Report of the Reserve Bank is a statutory publication that carries the Reserve Bank's financial accounts and a review of the macroeconomic situation. The first Annual Report, published in 1936, was primarily a statement of accounts of the Bank to its shareholders. The report became bilingual (Hindi and English) in keeping with the requirements of the Official Languages Act (OLA), 1963. Beginning in 1980–81, the Annual Report of the Bank contained two sections: one that presented the macroeconomic analysis and the other that highlighted banking and other developments; transmitted the balance sheet of the Bank and profit and loss accounts for the year ending June. In the successive reports, the section on assessment and prospects gained prominence because the analytics and perspectives contained therein reflected the Bank's views on emerging economic issues. The report was strengthened over the years in terms of coverage and content, supplemented by graphs and tables.

Apart from reporting the status of accounts, the Annual Report also put forth the Reserve Bank's assessment of public policies, including fiscal and external sector policies. During the late 1980s, on several occasions the report provided a review of fiscal issues. On one occasion, it also emphasised that the Bank was not mandated to provide ways and means advances to the Government and that this was only an enabling provision in the Reserve Bank of India (RBI) Act.¹²

In 1988–89, there was a rearrangement of the contents in terms of presentation and the overall coverage of the developments and policy issues in the report. An overview presented a brief on the macroeconomic backdrop, followed by a discussion on the sector-wise economic situation. A special feature in this issue was a detailed analysis of the monetary inter-relationships, such as the money multiplier, which was an important addition. An innovation was furnishing the highlights of banking and other developments, which was a welcome feature. Illustrations in the form of

12. Reserve Bank of India, *Annual Report, 1989–90*.

tables and charts came to occupy a much larger space in the successive reports. The coverage of organisational issues remained a prominent aspect in all the reports.

In accord with the advent of economic liberalisation, a point of departure in the report for 1991–92 was that the first part, the economic review, captured policy developments and perspectives. The second part of the report was rechristened working and operations of the Reserve Bank of India, which focused, *inter alia*, on commercial bank operations, co-operative credit structure, non-banking financial and non-financial companies, the DICGC, exchange management and exchange control, organisational matters and the Bank's accounts for the year. The report for the year also carried detailed appendix tables on various macroeconomic variables, which was an addition. Another important insertion was an annex on notes to accounts and significant accounting policies, which followed the profit and loss accounts statement. This became a regular feature in later issues of the report. These changes considerably enhanced the information content relating to the working of the Bank.

The Annual Report for 1994–95 was notable for the introduction of boxes on the issues of contemporary economic debate. This was a novel feature, was well received by the readers and formed an integral part of the successive reports.

It is worth mentioning that in 1995–96, an annex on chronology of events for the period April 1995 to July 1996 was introduced. The supplement encapsulated the significant events in various spheres of economic policymaking and was a useful reference for researchers, journalists, academics and other readers. These features were an essential part of various Annual Reports of the Bank in the years that followed.

REPORT ON CURRENCY AND FINANCE

The RCF, though not a statutory report, constituted a major communication and dissemination channel for the Reserve Bank. The report contained a comparative review of macroeconomic developments and served as an important source of time-series data on various macroeconomic aggregates. The report comprised two volumes, namely the Economic Review (Volume I) and the Statistical Statements (Volume II). Over the period 1981 to 1997, the format, coverage and contents of the report followed a traditional style and over the years, it earned the distinction of being a comprehensive source of information for researchers and academics in colleges, libraries, institutions and universities.

The analysis in the report was synthesised with graphs and tables to enhance presentation and readability. An important addition was the introduction of a chapter on some important developments in states and union territories in 1990–91. This was expected to bridge the gap in the analysis of the economic developments in the states and the union territories (UTs).

The statistical data presented in volume II of this report were used extensively by researchers, students and academics. Although most of the data were on a financial year basis, certain statements were presented on a calendar year basis, wherever source agencies compiled these on such a frequency. The statistics on the variables such as, area and production of agricultural commodities, financial assistance sanctioned and disbursed, IDBI liabilities and assets, the operations of National Bank for Agriculture and Rural Development (NABARD) and Unit Trust of India (UTI), and consumer price index (CPI) for agricultural labourers, related to July–June period. The scope of the volume was strengthened by expanding its coverage and by modifying the contents through the years 1981 to 1997.

Though the report gained immense value and popularity among its users over time, it was felt necessary to alter its structure. Consequently, the report was revamped after 1996–97 along specific themes. With this, volume II of the report containing statistical statements was discontinued, while a succinct review of the macroeconomic developments was retained in an otherwise single-volume thematic composition. The discussion on macroeconomic issues was maintained for the benefit of the public and researchers, who were accustomed to using the report for studying such developments in the Indian economy. To avoid information loss with the discontinuation of volume II, most of the statistical tables and statements were included in the Handbook of Statistics on the Indian Economy that began to be published subsequently by the Reserve Bank on an annual basis.¹³

REPORT ON TREND AND PROGRESS OF BANKING IN INDIA

The first issue of the statutory report titled: Trend and Progress of Banking in India was brought out by the DBOD under section 36(2) of the BR Act, 1949. The DRS took over the publication of the report in 1953. Further, in pursuance of the OLA, 1963 the Hindi version of the report was first published in 1967.

13. *Handbook of Statistics on the Indian Economy* was first published in December 1998 and provided time-series data on various economic aggregates.

The coverage and scope of the report contained, *inter alia*, developments in commercial banking, credit policy measures announced by the Reserve Bank, trends in credit deployment, details of various special credit schemes and facilities, such as the differential rate of interest (DRI) scheme and credit authorisation scheme (CAS), features of export finance, branch expansion, various committees and working groups set up in the area of banking, details of amendments in banking legislation and regulation, operations of co-operative banks, schemes relating to non-agricultural credit, functioning of NABARD, and other financial institutions (OFIs). Major changes in the contents of the report were undertaken from time to time keeping in view the necessity of putting out relevant additional information on matters relating to banking operations in India, as also to enhance the presentation and readability of the report.

With the setting-up of the Discount and Finance House of India Ltd (DFHI) in April 1988, a new section on developments in the short-term money market within the chapter on commercial banking was introduced in the report for the year 1988–89. In light of the changing banking scenario and fast-paced developments in the system, it was decided to incorporate information on topics of contemporary relevance, as and when warranted. From 1992–93, such reviews were captured in boxes to highlight the issues. Over the years, the emphasis was to make this report more focused. The analysis was supplemented with graphs and tables on various indicators to enhance its style and presentation.

RESERVE BANK OF INDIA BULLETIN

The history of the Reserve Bank of India, Volume 1 (1935–1951) stated:

In January 1947, the Department of Research and Statistics (DRS)¹⁴ also embarked on the publication of a monthly economic and financial journal called the Reserve Bank of India Bulletin. In this, the Bank was very much ahead of some of the older central banks and followed the pattern of the newer banks like the Federal Reserve. The contents of the Bulletin generally included a monthly

14. The Department of Research and Statistics was later bifurcated into two departments, namely, Economic Department and the Department of Statistics, which were subsequently reorganised as the Department of Economic Analysis and Policy and the Department of Statistical Analysis and Computer Services. More recently the two Departments were rechristened the Department of Economic and Policy Research and the Department of Statistics and Information Management.

review of economic and financial conditions, articles based on the studies and surveys conducted by the Bank and a statistical section presenting monetary and economic data. Over the years, the range of the material published in the Bulletin was enlarged and it became an important source of reference on current monetary and economic problems.

The objective of publishing the bulletin was set out in its first issue as:

The aim of the Reserve Bank of India Bulletin, which will be published monthly, is to present in summary form statistics and other information which may help to portray the changing pattern of economic activity of the country. This task, however, must be necessarily limited by the inadequate character of the data now available. But, wherever possible, advantage will be taken of such information as may be in the possession of the Bank or is easily accessible to it, but which the public has no means of acquiring. The Bulletin will also embody, where permissible, the results of the studies and investigations made by the Bank, in particular by its Department of Research and Statistics. It incorporates the Reserve Bank of India's statistical summary, which will, consequently, cease with the December 1946 issue. Its contents will include, in addition to current statistics now published in the summary, a monthly review of business and financial conditions, articles on economic problems, notes on current events, book reviews and recent legislation, Indian and foreign, relating to finance and banking.

Accordingly, the bulletin contained the Reserve Bank's analysis of macroeconomic developments and analytical articles by the staff, details of the regulatory environment in which the Bank functioned and relevant data. Over the years, while there was no major deviation from the original mandate, the contents of the bulletin were expanded to include speeches of the top executives, important press releases, empirical articles, and circulars on regulatory and foreign exchange developments. It is worth mentioning that there was a noticeable increase in the number of speeches of the top executives from the mid-1980s, and this reflected greater importance being attached to the need for more effective communication.

The contents of the section on statistics in the monthly bulletin were revised over time to capture the changes taking place in the economy and markets. The initial mandate of the Reserve Bank bulletin was to publish

statistics on money, banking and balance of payments for which the Reserve Bank was the primary source. However, over the years, the bulletin also began to incorporate secondary data that were considered important for analysing macroeconomic developments in the economy. The scope and contents of the bulletin were expanded as information dissemination became vital, particularly in the context of deregulation and liberalisation of the economy from the 1990s. Transparency in policy formulation and operations became imperative to enhance efficiency in the functioning of the markets and transmission of policy, thus making such modifications necessary.

*Major Changes Effected in the Monthly Bulletin
During 1981–1997*

An exercise to examine the evolving structure of the contents of the monthly bulletin for the period 1981 to 1997 revealed interesting results. It was found that since the beginning of 1980, the bulletin had carried a monthly financial and economic review that covered various developments in the economy. Further, the monetary and credit policy measures announced from time to time by the Governor were summarised in the relevant monthly review from 1980 up to 1996. Other regular features covered in the bulletin included, quarterly commodity reviews; highlights of the Union Budget (as finances of the Government of India); articles on the economic and functional classification of central government budget; highlights of the railway budget; finance commission recommendations; highlights of the finances of state governments; and corporate finance studies. Trends in the wholesale price index (WPI), the prices of securities and bullion and analyses of trends in the index of industrial production (IIP) and the index of agricultural production were discussed as and when such data/revisions were released by the Government.

The bulletin, as a matter of convention, incorporated circulars issued by the Reserve Bank, especially to various banks, indicating policies relating to banking and any changes therein. The bulletin also covered various committee/working group reports, as and when these were released.

Various departments of the Reserve Bank contributed articles in their areas of interest/specialisation in the bulletin. Further, reviews were prepared on the policies announced periodically by the Government, such as the Exim policy. Articles of topical relevance were published from time to time, which included viability of regional rural banks (RRBs), statistics on the working of the foreign currency non-resident (FCNR)

deposit scheme and estimates of state domestic product released by the Central Statistical Organisation (CSO). Special articles prepared by senior executives of the Bank on policy issues were also published (with the usual disclaimer) in the bulletin.

The regular articles comprised, *inter alia*, flow of funds accounts of the Indian economy', for which the Reserve Bank was a primary source, (published intermittently and usually covering a period of five years); investments of scheduled commercial banks (annual feature); centre-wise distribution of offices opened/closed by commercial banks in India and monthly seasonal factors of selected economic time series (published every year in January).

The results of surveys conducted by the Reserve Bank, covered in the bulletin, were a noteworthy feature. The periodic surveys included, finances of medium and large public limited companies, finances of large public limited companies, finances of medium and large private limited companies, India's international investment position, foreign collaboration survey, composition and ownership pattern of bank deposits, performance of financial and investment companies, finances of government companies, growth of deposits with non-banking companies, ownership of government debt, all-India debt and investment survey, and survey of ownership of shares in joint-stock companies. *Ad hoc* surveys comprised a survey of traders and transporters conducted by the Reserve Bank in collaboration with commercial banks (1979–80) and a study of the deposit acceptance activities of hire-purchase finance companies.

The monetary and credit policy measures announced by the Governor from time to time were not reproduced in the monthly bulletin. Instead, the policy announcements found a prominent place in the Monetary and Credit Information Review (MCIR) and the RBI Newsletter, published monthly and fortnightly, respectively, by the PRD. These brochures were time-bound publications with a wide reach. Such information sources were handy at times when the bulletin was released with a lag.

Another modification in the contents of the bulletin was that the monthly financial and economic review was discontinued in January 1990, and a quarterly financial and economic review was introduced in June 1990 in its place. Further, since the other publications carried a detailed examination and analysis of such macroeconomic aspects, the quarterly review too was done away with from May 1995; the last such review appeared for the period October–December 1994 in the April 1995 issue of the bulletin.

A column entitled, news and notes, covering policy announcements and short notes on significant developments was brought in. This section was of immense relevance as it contained important details. To illustrate, the October 1991 issue of the bulletin carried memoranda/resolution for the constitution of the following committees and their terms of reference: the committee on the financial system (Chairman: Shri M. Narasimham); the high level committee on trade policy reform (Chairman: Shri Montek Singh Ahluwalia); and the high level committee on tax reforms (Chairman: Dr Raja J. Chelliah). In the January 1995, the news and notes section carried details of the historic agreement signed between the Reserve Bank and the Government on phased discontinuation of issuing of the *ad hoc* Treasury Bills.

In April 1995, publication of press releases was commenced, which included releases issued not only by the Reserve Bank but also by the Government, for the benefit of readers and users. From June 1994, abstracts of the major research journal, *i.e.*, the Occasional Papers, were incorporated for wider reach of the in house research by Reserve Bank officials.

It was only in October 1996 that the practice of reproducing the monetary policy¹⁵ announcements in the monthly bulletin was introduced. Since then, the policy statements for the first half and second half of the year became a regular feature. The policy measures announced between the two major announcements also found a prominent place in the bulletin.

CURRENT STATISTICS

A regular constituent of the bulletin was the section on current statistics. This segment not only contained data for which the Reserve Bank was the primary source, (*e.g.*, money supply, money stock measures and balance of payments) but also included statistics released by other official agencies (*i.e.*, price indices).

The current statistics section was expanded and reorganised in April 1996. Six new tables covering data on the capital market, money market and the government securities markets were introduced. Certain tables were modified in view of transformation in the available data and the changing requirements of data users. This considerably improved the information content of the statistics.

15. The policy circular for the second half of 1996–97 was reproduced in the RBI Bulletin, October 1996.

WEEKLY STATISTICAL SUPPLEMENT

The WSS to the Reserve Bank monthly bulletin was intended to disseminate high-frequency data on a weekly basis, such as the main constituents of the balance sheet of the Reserve Bank, data on foreign exchange reserves held by the Reserve Bank, scheduled commercial bank business in India, the cash reserve ratio (CRR) and interest rates, data on money stock, reserve money, repo/reverse repo and auctions of the *ad hoc* Treasury Bills. The handout continued to be a source of important data to its users through the years. Changes were introduced in the statistics contained in the supplement from time to time to reflect the evolving market conditions and to suit user requirements.

MONETARY AND CREDIT POLICY ANNOUNCEMENTS

Monetary and credit policy measures were, as per the convention, announced twice a year by the Governor — for the slack season (*i.e.*, the first half of the year) generally in April and for the busy season (*i.e.*, the second half of the year) in October. The practice of using slack and busy seasons was based on the fact that the Indian economy was essentially agrarian. The slack season policy took into account budget proposals of the Central Government to a certain extent. The busy season policy, on the other hand, was intended to meet the demand for credit for productive activities in sectors such as agriculture, industry and exports.

The official circular to commercial banks announcing the monetary and credit policy for the six-month period was issued to all scheduled commercial banks (SCBs, excluding RRBs). Just before announcement, the Governor convened a meeting of the chairmen of select commercial banks where the envisaged credit policy measures were unveiled. This practice continues even today in its essential aspects.

The communication from the Governor at times contained governance matters. In the slack season policy of 1985, the Governor, Shri R.N. Malhotra, urged commercial banks to revamp their management functions, promote staff discipline and reinforce customer service with a view to improve the image of the banking system. The management functions, the Governor felt, had suffered erosion. While emphasising the discipline aspect, the Governor expressed that the morale of the large majority of bank officers and staff, who were able and honest, was not only to be maintained but also enhanced. At the same time, it was necessary to discipline those who were less co-operative. This was pertinent since better

discipline meant improved customer service. The credit policy statements thus facilitated such communication.

Increasing transparency in monetary policy communication became more relevant in the market-oriented environment of the 1990s. Such statements not only put forth the Reserve Bank's perceptions about the macroeconomic scenario, but also conveyed the policy decisions and their objectives to the markets. The pronouncements also informed the rationale for such decisions.

Monetary policy during the decade of 1980s was essentially in the form of credit policy. In the 1990s, with the process of implementation of financial sector reforms, the scope of credit policy was widened to monetary and credit policy. Thus, the policy, which was known as credit policy for a long time, was modified to monetary and credit policy to highlight the fact that monetary policy was much more than mere credit dispensation and flows.¹⁶

RESERVE BANK OF INDIA: FUNCTIONS AND WORKING

The Reserve Bank of India: Functions and Working was first published in 1941. The book aimed at informing the public about the functions performed by the Reserve Bank, as also its governing and organisational structure. This was, for the times, a novel initiative at sharing with the masses the role played by the Bank in the economy. The second edition of the book was released in 1958. In his Foreword to this issue, the Governor, Shri H.V.R. Iengar stated:

A Bulletin entitled 'Functions and Working of the Reserve Bank of India' was first published in 1941. Since then, as a result of constitutional developments as well as continuous adaptation to the needs of a rapidly developing economy, a great many changes have taken place both in the structure of the Bank as well as in the scope of its functions. The Bulletin has, therefore, been entirely re-written and is now presented to the general public in the hope that it will enable them to understand the broad working of an institution which is so closely concerned with their general welfare.

The edition that followed was updated and published in 1970, and it captured the evolution of the functions of the Reserve Bank over the

16. Transcript of the interview with Dr C. Rangarajan, former Governor, December 2006.

years. Dr Manmohan Singh, Governor, in the preface to the fourth edition (1983),¹⁷ expressed:

The object of this book, 'Reserve Bank of India: Functions and Working', which enters its fourth edition, is to present a concise and updated narration of the responsibilities and functions of the Bank in the areas of central banking, banking and financial regulation, international finance and other related areas. Supplemental information on the structure of the Indian banking system and money market and some theoretical aspects of central banking have been included to provide the reader with a better understanding of the role of the Bank in the nation's economic and financial well-being.

RESERVE BANK OF INDIA OCCASIONAL PAPERS AND STAFF STUDIES

The occasional papers through 1981 to 1997 were a means of apprising the academia with the technical research carried out mainly in the research and the statistics departments of the Bank. This journal facilitated transmitting well-researched articles forging a link between the theoretical developments and empirical information to a community of researchers. It had, over time, established itself as a journal of repute among the economic research community and academics. The Reserve Bank staff studies were another medium to communicate the work done largely on non-technical issues relevant to the Bank. Both these publications reflected views of the staff rather than those of the Bank.

DATA DISSEMINATION PROCESSES

The monthly bulletin and its WSS, apart from other regular reports as explained earlier in the chapter were widely used media for meeting data requirements of the public.

Publishing of Statistical Tables Relating to Banks in India began well before the establishment of the Reserve Bank and the report was brought out first by the Department of Statistics, Government of India in 1915. The work relating to its preparation was transferred to the Reserve Bank in 1939 that brought out the issue in 1941.¹⁸ This publication offered

17. The updated fifth edition of the book was published in 2001.

18. This publication is presently brought out annually by the Department of Statistics and Information Management (DSIM), Reserve Bank of India.

key statistics relating to operations of banks, covering bank-wise and bank group-wise data on major indicators such as liabilities and assets, income and expenses, non-performing assets (NPAs), financial ratios, spatial distribution of offices, number of employees and priority sector advances. It also provided bank group-wise monthly statistics on variables, such as aggregate deposits, liabilities of the banking system, assets with the banking system, investments, bank credit and sector-wise and industry-wise gross bank credit.

The basic statistical returns (BSR) system was introduced in the year 1972 based on the recommendations of the committee on banking statistics (Chairman: Shri A. Raman) constituted by the Reserve Bank in April 1972. The BSR system comprised a framework of returns relating to advances, deposits and investments of SCBs. Under the BSR system, the publication titled Basic Statistical Returns of Scheduled Commercial Banks in India¹⁹ presented comprehensive data on the deposits and credit of SCBs and also statistics on number of employees of these banks as at end-March annually. Detailed occupation-wise credit data on different dimensions, viz., type of account, organisation, interest rate range and size of credit limit besides statistics on population group, bank group and state-wise credit by type of occupation were also put out. A unique feature of this publication was that it covered the spatial distribution of credit sanctioned as well as credit utilised. The data were collected through the annual statistical surveys, BSR 1 & 2, from the offices of SCBs including RRBs.

The Reserve Bank, with the focus on collating information on the geographical distribution of aggregate deposits and gross bank credit, collected statistics on aggregate deposits and gross bank credit of SCBs (including RRBs) on a monthly basis through BSR 7, which was introduced in August 1974. These data were disseminated from the year 1981 through

19. The first publication of *Banking Statistics*, volume 1, December 1972 was published in November 1973. The earlier title of the publication, i.e., *Banking Statistics* was changed to *Basic Statistical Returns of Scheduled Commercial Banks in India* from Volume 29 in March 2000. This was done to highlight the source and the nature of the data published in the volume and to distinguish it from the banking statistics presented in the *Statistical Tables Relating to Banks in India*, which is based on data collected through various statutory returns and other statistical returns. BSR 1A/1B present credit data (annual); BSR 2 covers deposit data (annual); BSR 3 collects sectoral credit (monthly); BSR 4 collects data on the composition and ownership pattern of deposits (annual); BSR 5 gives data on the investment portfolio of scheduled commercial banks (annual); BSR 6 presents debits to deposit and credit accounts with scheduled commercial banks (once every five years) and BSR 7 gives quarterly statistics on the deposits and credit of scheduled commercial banks.

the publication titled *Banking Statistics: Monthly Return on Aggregate Deposits and Gross Bank Credit*. The periodicity of the return was changed to quarterly from the quarter ended March 1984. Accordingly, the data were published under the title *Banking Statistics: Quarterly Handout* with effect from March 1984.²⁰

SPEECHES OF TOP EXECUTIVES

Speeches of the top executives of the Reserve Bank have been an influential and informative communication medium. It is well recognised that the information content of the address delivered by the management is backed by sound research and profound thinking. The management speaks on an array of issues at various forums and conveys to the banking and financial system as well as to public at large, the rationale and intent behind various policy decisions. They often influence the behaviour of the markets and induce the desired changes in the banking and financial system. Signals sent through such address systems are captured by the markets quickly, and help bring about the required changes in their operations.

During the period 1981 to 1997, some of the speeches of the top executives framed market perceptions and helped transmit the intended message to the system. In this connection, it is relevant to quote the Governor, Shri R.N. Malhotra, who emphasised the vital role that had been assigned to monetary and fiscal policies in maintaining a stable price environment and in resource allocation since the commencement of the planning era. This role acquired a different tenor as the economy moved to higher stages of economic development. He, therefore, felt that it was important to reassess the role played by monetary policy periodically to be able to focus on the emerging economic scenarios. He further noted with concern:²¹

In an economy characterised by wide disparities, an important objective is that growth should be accompanied by distributive justice...A delicate balance has, therefore, to be achieved in the pursuit of the twin objectives of promoting growth and maintaining price stability.

20. The name of the publication has further been changed to *Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks* from September 2003.

21. Malhotra, R.N. (1985). *Monetary Policy for Dynamic Growth*. Speech at a seminar organised by the Indian Chamber of Commerce. Calcutta. December 12.

In a speech by Shri S. Venkitaramanan, Governor, sensitivity to the use of gold in India was highlighted and he observed:²²

Only a year ago, we had started the dialogue with Bank of England and Bank of Japan to use our gold to raise resources to meet our balance of payment crisis. There was an atmosphere of secrecy in which we had to operate. Preference for gold holdings appears to be an important characteristic of every national psyche. Use of gold holdings, even in a time of deep crisis, has provoked strong reactions in India. Indirectly, it also signalled the seriousness of the balance of payment crisis to the average Indian... Even the elite in our society considered the movement of gold an act of national humiliation... Ultimately a developing economy cannot depend only on its gold stocks. It has to grow based on its macroeconomic performance, its exports, its productivity and its inflation management. To these tasks India assigns the highest importance.

The Kutty Memorial Lecture²³ in this context focused on the issue of the autonomy of central banks. In this address, Governor Rangarajan forcefully put forth the arguments in favour of independence for central banks. Excerpts throw light on how this speech communicated the need for ensuring fiscal prudence on the part of the Government:

Historically speaking, the concept of independence of central banks is associated with the concern that in the absence of such independence, Government would finance itself without limit, through money creation... While this concern is still a potent factor in several countries, more attention is now being paid to the broader issue of the impact of political influence on the pursuit of monetary policy.

He further noted:

In the discussion on policy effectiveness, a point that is often made is that effectiveness of policy depends upon how the public perceives policy maker's commitment and behaviour. Based on this premise, it is argued that an independent central bank would

22. Venkitaramanan, S. (1992). "Gold Mobilisation and its Use for External Adjustment". Keynote Address at the *World Gold Conference*. Montreux, Switzerland. June 22.

23. Rangarajan, C. (1993). "Autonomy of Central Banks". *Tenth M.G. Kutty Memorial Lecture*. Calcutta. September 17.

tend to impart greater credibility to monetary policy and therefore improve its effectiveness.

In an endeavour to make the public aware of the role of the Reserve Bank in the economic system, as also to address a range of themes, communication in the form of speeches by the top executives continued to grow over the years. The speeches were topical and rich in content and remain a source of vital information and policy communication by the Bank till date.

OTHER INITIATIVES

ENDEAVOURS IN EXTERNAL COMMUNICATION

Monetary and Credit Information Review

The PRD publishes an MCIR²⁴ to disseminate information on matters relating to central banking, banking, monetary and other issues relevant to the banking industry and the general public. The MCIR, launched in August 1979 as Credit Information Review, set out its objectives and outreach as follows:

The past few years have witnessed a significant expansion of commercial banks' branch network especially in the unbanked rural areas. There has also been an increasing involvement of banks in providing credit to the economically disadvantaged borrowers in priority sectors. Even so, a vast number of such persons have yet to benefit from the various measures which have been initiated. Lending policies of the banks to benefit the weaker sections of the community are under constant review. One of the important impediments in the way of further progress in this direction is the lack of timely and adequate information regarding such facilities. This monthly publication Credit Information Review has been launched with the object of filling this gap and conveying to the public the banking and credit policy decisions of the Reserve Bank without delay.

The Review will explain in simple language the circulars issued by the Reserve Bank from time to time. Copies of the Review will be sent directly to all branches of banks, besides head offices,

24. In two languages, *i.e.*, Hindi and English.

regional offices and zonal offices. While the review will provide ready information on the policy decisions taken by the Reserve Bank, the head offices of banks will issue instructions separately to the regional zonal branch offices for the proper implementation of advices, instructions contained in the Reserve Bank's circulars. Copies will also be sent to the General Managers of District Industries Centres, Block Development Officers, District Collectors and other concerned Central and State Government Departments.

In order to facilitate easy dissemination of credit information among borrowers, the Review will be distributed widely among trade associations and chambers of commerce, AIR offices, news agencies and newspapers (English and local language papers) throughout the country.

The MCIR became a means for quick transmittal of a plethora of news and reports across cross-sections of society.

History of the Reserve Bank of India

Institutional histories are significant as they pen the role that institutions play in moulding events. The histories also corroborate how influential and effective the institutions have been. The history of the Reserve Bank is not just the history of an institution; it is part of the economic history of the country. As the apex institution of the financial system, the Bank played a critical role in steering the economy through the years. As an important source of communication and to familiarise the public with the role performed by the Reserve Bank in the economic system of the country, the history of the Bank was recorded, covering about 16 years in each of the three volumes published so far. The Bank's history is a record of events and decisions evolving in the context of a time and environment, reflecting, in large part, socio-political realities. The history is based on official records and a number of published sources, as well as discussions with various people who were closely involved with different events during the period covered. The effort was an exercise in transparency and accountability through an objective scrutiny, as far as possible, of the functioning of the Reserve Bank in retrospect.

In line with this, the first volume of the history for the period 1935–1951, published in March 1970, dealt with the formative years of the Bank and critical issues faced by the country and the Reserve Bank in the post-independence period. The volume covered the preparatory years, and

provided a brief but comprehensive account of the developments in the areas of money, banking and exchange in India for almost a century prior to the establishment of the Reserve Bank in 1935. The 16 years covered in this volume, divided into three parts, *i.e.*, 1935–1939 (the formative years), 1939–1945 (the war years) and 1945–1951 (the post-war years), treated the matter in both chronological order and by subject. The account of the Bank's working is sufficiently detailed to be of practical use to those responsible for shaping and administering India's monetary policy in the years to come. In a sense, this is more than a history of the Reserve Bank and is, to some extent, a financial history of India.²⁵ The Reserve Bank, one of the oldest central banks in the developing world, had eventful formative years. Its efforts to adapt central banking functions and techniques to an economy in which modern banking was neither deep-rooted nor widespread, the special responsibilities including those of exchange control that it was called upon to shoulder with the outbreak of the World War II in the very first decade of its existence, its transformation from a privately owned institution to a nationalised undertaking and its new role in the economy with the advent of independence — all these made the Bank's initial years of special interest.²⁶

In order to take this effort forward, it was decided to publish the subsequent volumes. Towards this end, a separate history cell was set up in the Reserve Bank. A committee of direction was constituted to oversee the preparation of these volumes. The compilation of the history of the Reserve Bank for the period 1951–1967 (Volume 2) progressed under the guidance of the committee. The second volume published in 1998, the fiftieth year of India's independence, dealt with the issues of economic development and management of the financial system in a period marked by several crises of shortages. 1951 was a watershed year in the economic history of India, since it witnessed the launch of the First Five Year Plan. The volume thus covered an important era in India, *i.e.*, the advent of planning, when initiatives were taken to strengthen, develop and diversify the country's economic and financial structure. The Reserve Bank played a notable role in bringing about these changes, especially through its pioneering efforts in public policy and institution-building in about the first one-and-a-half

25. Sir C.D. Deshmukh, Chairman, Editorial Committee in the "Preface" to *The Reserve Bank of India (1935–1951)*. Volume 1.

26. Shri L.K. Jha, Governor, Reserve Bank of India, in "Foreword" to *The Reserve Bank of India (1935–1951)*. Volume 1.

decades of planned economic development. The volume not only narrated the history of an important public institution in the process of change, but also shed light on the country's economic development during these crucial years.²⁷ It essayed the Bank's role in mobilising resources for the central and state governments, regulating the banking system, establishing an institutional infrastructure for agricultural and long-term industrial credit in India. It also covered developments in India's external sector, including the initiatives to raise long-term foreign assistance for development and the rupee devaluation of 1966. The volume concluded with an extensive survey of evolving relations between the Reserve Bank and the central and state governments in India during this period.

The third volume covering the period from 1967 to 1981 was released in 2006. This period was not only marked by political and economic upheavals, but also by far-reaching changes in the financial system. The volume spanned over the period of bank nationalisation and consolidation of the banking system, which changed the face of banking in India. The decision revamped the fundamentals of banking in terms of its orientation and operations, and was thus flagged as a defining event of the period. The dominance of fiscal policy over the monetary policy, the breakdown of the Bretton Woods system and the emergence of a new international financial order characterised by a floating rather than a fixed exchange rate system were highlights of the period. The time frame of volume 3 was marked by phenomenal expansion and diversification of the financial sector, and attempts to closely align financial and regulatory practices with Plan and development priorities. Aiming at the correction of market failures, it was an era of heightened regulation and direction in every sphere of financial activity. As an institution charged with maintaining the financial health of the country, the Bank was at the centre of spreading banking from a few urban centres to semi-urban and rural areas, including remote parts of the country. The Bank significantly impacted the economic life of the masses by deepening the financial system and, through detailed directions, shaped the behaviour of banks and financial institutions (FIs). It thus became the responsibility of the Reserve Bank to ensure that the poor and the vulnerable participated in the novel financial experiments that were undertaken. As a central bank, responsible for the conduct of monetary policy, it attended to the task of maintaining price stability. Although

27. Dr C. Rangarajan, Chairman, Committee of Direction in the "Foreword" to *The Reserve Bank of India (1951–1967)*. Volume 2.

dominated by fiscal imperatives and considerations arising out of central planning, the Bank was able to contain strong inflationary pressures twice in the 1970s, which were partly driven by large and unanticipated external shocks. Against the backdrop of a chronic shortage of foreign exchange, the Bank made significant contributions to the management of India's external relations.²⁸

These three volumes of history became a permanent record of the Reserve Bank's functions and policies and provided insights into the Bank's relations with the Government through the years.

Library

A library was set up in the Reserve Bank in the year 1938 and the first lot of books was purchased in January, 1938.²⁹ The Central Library of the Reserve Bank, maintained by the Department of Economic and Policy Research (DEPR)³⁰ historically offered a rich collection of books, documents, reports, working papers and journals. It acted as a means of communication for the Reserve Bank staff, researchers, academicians and others, pursuing various interests. Revamped in 1982, the library adopted an internationally accepted classification and cataloguing system in 1993. Computerisation of library records using LIBSYS software for housekeeping functions was commenced during 1994. Collection of the Central Library comprised 66,917 books, 544 journals and 900 CD-ROMs. CD NET system was facilitated in 1995 to enable access to CD-ROMs thorough LAN in Central Library. The library subscribed to proquest online database in December, 1997.

Technology

The Reserve Bank of India website (<http://reservebank.com>) went live on September 17, 1996. The site regularly hosted the publications brought out by the Bank, viz., the monthly bulletin, its WSS, the Annual Report and other reports. The site also had a section on press releases and put

28. Dr Y.V. Reddy, Governor, Reserve Bank of India in the "Foreword" to *The Reserve Bank of India (1967-1981)*. Volume 3.

29. The first accession register, showing the column for date of purchase of books, recorded date of purchase of books as January 6, 1938.

30. Department of Economic Analysis and Policy (DEAP), to which the Central Library is attached was subsequently rechristened Department of Economic and Policy Research (DEPR).

into the public domain speeches delivered by the Governor, Deputy Governors and other senior executives of the Bank. The site worked as a dissemination point for data on the Indian economy, particularly for data on the banking and financial sectors. The website served a useful purpose in communicating statistics under the special data dissemination standards (SDDS) of the International Monetary Fund (IMF).

Economic Editors' Conference

An annual conference of economic editors from all over India was convened by the PRD to promote better understanding of the Reserve Bank's policies through an informal exchange of views between the media, the Governor and other senior executives of the Bank. This emerged as a meaningful forum for the exchange of perspectives between the top brass of the media and the Bank. The PRD continued its endeavours to co-ordinate publicity and press relations work and served as a focal point for disseminating information to the public.

Memorial Lectures

The C.D. Deshmukh memorial lecture series was instituted in 1984 in the Reserve Bank in commemoration of memory of the first Indian Governor of the Reserve Bank, Sir C.D. Deshmukh (August 11, 1943 to June 30, 1949). The first lecture in the annual series was delivered by Lord Nicholas Kaldor, Professor Emeritus of Cambridge University on January 18, 1984 in Bombay. Lord Kaldor spoke on the subject of The Failure of Monetarism. The event became an important communication stage for the exchange of views on topics of contemporary debate and relevance to the Bank.

In reverence to the services of Shri L.K. Jha, former Governor of the Reserve Bank (July 1, 1967 to May 3, 1970), the Bank instituted a lecture series in the year 1990. The inaugural address in this annual series was delivered by Mr Robin Leigh-Pemberton, Governor, Bank of England on October 16, 1990 in Bombay. The subject of his talk was Economic Liberalism, Central Banking and the Developing World. This occasion added another dimension to sharing knowledge and opinions on the economic issues confronting the world.

Banking Chintan-Anuchintan

Another development was the launch of a quarterly journal titled: Banking Chintan-Anuchintan. This magazine was published by the Bankers'

Training College (BTC), in association with the Indian Banks' Association (IBA). The periodical was envisaged to promote original writings in Hindi on banking and disseminate information, know-how and terminology on banking-related issues. The journal was meant for circulation within the Reserve Bank and in the banking industry, and its first issue was brought out during 1987–88. The journal was received well in the circles of reach. In a related initiative, a committee consisting of officers of the Reserve Bank's Rajbhasha Division and heads of departments of some public sector banks (PSBs) revised and updated Banking Shabdavali, a glossary of Hindi terms for better communication on issues relating to banking in Hindi.

RBI Legal News and Views

In April 1995, the Governor suggested that the Legal Department should circulate from time to time important judgments of the Courts and other legal developments in matters related to banking. Thus was born the idea of institutionalising an in house legal information system that took the form of a quarterly journal published by the Legal Department of Reserve Bank. In the Foreword to the first issue, brought out in 1996, the Governor, Dr C Rangarajan expressed:

Law has an important role in the success of any reform process. Every reform brings with it a new host of legal issues. Any mismatch between policy intention and the legal framework could defeat the entire effort at reform. Thus, the need for a continuing review of legal principles and a system of dissemination of legal information has indeed become more pronounced in the wake of the on-going structural reforms in the banking and financial sector. I am therefore happy that the Legal Department of the Reserve Bank is coming out with an in-house Law Journal to meet this gap. I am confident that it will go a long way in clarifying the various legal nuances and provide a proper legal institutional perspective to the changes in the banking and financial sector. I wish the journal all success and compliment all persons who have been responsible for this initiative.

The journal continued to provide the much needed support and received an impressive response, while striving to serve the objective of sharing valuable information that was dependable and qualitative.

CAB Calling

CAB Calling³¹ started as a quarterly newsletter in 1977 and its first issue was published on November 15, 1977. As mentioned therein, the newsletter was started 'in response to persistent requests from the participants of various CAB Programmes to have continuing liaison and dialogue with the College'.

The newsletter contained details of the forthcoming programmes of the college and also reports on the various other activities of the CAB. Over time, the scope of the newsletter expanded to include gist of important circulars issued by the Reserve Bank and developments in the field of banking.

The newsletter was published in the form of a quarterly magazine in the year 1987 and the first such issue was published on August 15, 1987. Besides the write-up on the activities of the CAB and gist of circulars issued by the Reserve Bank, it also included short articles relating to the programmes conducted at the CAB and the essence emerging from the group discussions that formed a part of these programmes.

INTERNAL COMMUNICATION PROCEDURES

Managers' Conferences

An important platform to facilitate internal communication within the Reserve Bank was the managers' conferences held annually. This forum, chaired by the Governor or a Deputy Governor, was an effective medium for formal as well as informal discussions among the top executives of the Bank, managers of the regional offices and heads of departments. The agenda for such conferences was well thought out and covered a vast canvas of functions of the Bank, while assessing the work environment and industrial relations on a regular basis. This convention also provided in-charges of offices at various centres with an opportunity to highlight the achievements of their centres and share concerns on problems with the top executives of the Bank. The approach offered speedy and feasible solutions to the predicaments and issues placed before the participants.

The conferences acted as a medium for the exchange of ideas between the central office and the regional offices and facilitated understanding of points of view of the officials from both sides on varied subjects in an attempt to work towards improving the functioning of the Bank. In the two-way dialogue, several policy issues were emphasised and discussed, apart

31. Published by the College of Agricultural Banking (CAB), Pune.

from purely procedural items that invariably formed part of the schedule. While participative management was always underlined as the theme of the conferences, the areas of debate included, *inter alia*, discipline, efficiency, reduction in overtime, industrial relations, organisational restructuring, problems faced by the Bank from time to time, currency management practices, matters relating to computerisation and mechanisation and customer service.

Internal Manuals

The internal manuals of the Reserve Bank provided guidelines in respect of functioning of various departments. The Issue Department manual was first brought out in 1937.³² It communicated to the staff necessary instructions and procedures for dealing with notes and coins and other work of the department. The intent remained ensuring that service to the public was both prompt and efficient in respect of provision of adequate supply of coins and bank notes.

The guidelines for the operations of the Banking Department were in place at the inception of the Reserve Bank. The Banking Department manual (1957) contained practices and processes for accounting, establishment and administrative procedures to be followed by all departments of the Reserve Bank. These instructions as also changes which came about in the scope of Bank's activities and operations with time were compiled in the form of General Administration Manual 1988 (Volume I and Volume II), published for the first time in 1988.

Within the Banking Department, the PDO manual for apprising the staff about operational procedures for public debt administration and management of public debt on behalf of the central and the state governments was first published in 1936.³³ The PAD manual, for which practices were in place in the late 1930s, a published version of 1957³⁴ is in the archival records. A cyclostyled DAD manual for 1957 also forms a part of the archival material.

Further, laying down the procedures for exchange control and regulation, the exchange control manual was first published in 1940 and revised with the expansion of the scope in the area.³⁵

32. This was revised in 1952, 1972 and 2004.

33. This was revised in 1951, 1977 and 1999.

34. This was revised in 1981.

35. The manual was revised in 1943, 1949, 1959, 1965, 1971, 1978, 1987 and 1993.

RBI Newsletter

The RBI Newsletter was first published on November 15, 1974 as an exercise in developing internal communication. In a message to the introductory issue, the Governor, Shri S. Jagannathan, expressed:

There is a clear need to keep the staff of the Reserve Bank continually informed about the developments taking place in the different departments of the Bank, as well as in its affiliate institutions. This is the object which the fortnightly RBI Newsletter seeks to fulfil. I hope it will be found useful by the officers and other staff.

Published fortnightly, the focus of the brochure was to inform employees on various policy issues and guidelines released by the Reserve Bank. It also covered highlights of various reports of the Bank, government publications and international releases. The newsletter, through time, became much sought after and immensely important source for in house learning. It apprised readers about research publications of the Bank, various internal matters and decisions such as senior management appointments, portfolio allocation, information about new offices, details of training/workshops conducted by the Bank, proceedings of managers' conferences and other internal meetings and excerpts from management speeches, among others.

In October 1985, a new column, miscellany and montage, was introduced that culled snippets of information on diverse subjects from domestic and international sources. Though high in information content, this column was dropped in April 1986 due to space constraints. There was a practice to publish data on money, banking and price trends in the brochure for the benefit of the Reserve Bank community. The table containing such data was, however, discontinued in December 1989 in order to make space for other notifications.

During 1985, in its already vast scope, details of staff welfare measures were added. The content was further enhanced by incorporating clips of information on developments in international banking and use of computers in banks abroad. This kept the staff updated on the inroads being made by technology the world over. Topical matters, such as increase in the assistance provided by banks due to political uncertainty and disturbances in various regions of the country, issue of fresh notes, need for public to handle bank notes with care to avoid soiling of notes and apprising the staff about the added security features of bank notes were discussed in the newsletter.

Without Reserve

Back in 1959, Shri H.V.R. Iengar, Governor, recorded a note:

Several business houses have 'House Magazines' e.g., I.C.I., Dunlop, Hindustan Lever, Martin Burn. These magazines are believed to help materially in improving staff relations, apart from their general educational effect. I would like the point to be examined as to whether we may start a house magazine in the Reserve Bank.

While examining the proposal, it was noted that the magazines brought out by various entities had self-serving objectives and were issued as an exercise in public relations. It was also recognised that for the Reserve Bank house magazine to be a success, it could not merely be a mouth-piece of the management. This tenet was pursued through the years and it helped establish *Without Reserve* as a credible journal.

The *Without Reserve*³⁶ was launched in 1968 and aimed to improve communication standards within the Reserve Bank. In his message in the inaugural issue of the journal, the Governor, Shri L.K. Jha expressed:

There are occasions when we need to shed our formal mode of address and talk about things of concern to us all in a free and informal manner. 'Without Reserve' seeks to do just this...all of us...give it the support it deserves so that it becomes a live and continuing instrument of our mutual communication and contact.

The periodical won an award in the house magazine category in the annual awards competition of the Association of Business Communicators of India for the year 1979 and a special award in the category of 'house magazines' in a contest conducted by the Thiruvananthapuram Press Club in 1996.

CAPACITY BUILDING

RESERVE BANK'S TRAINING ESTABLISHMENTS

The training establishments³⁷ of the Reserve Bank provided a platform to conduct programmes, courses, workshops and host seminars.

36. The title for the journal was suggested by Shri G.I.S. Pais, deputy chief accountant of the Calcutta office, at the time of its launch.

37. BTC and CAB also received candidates from other domestic as well as from the institutions abroad.

The Bankers' Training College (BTC)³⁸ was a conduit for bridging capacity-building gaps, primarily for executives of commercial banks, and imparted training in practical banking to the supervisory staff of commercial banks. It served the important purpose of addressing professional skill upgrading among Reserve Bank employees, besides offering courses to upscale the proficiencies of participants from commercial banks, co-operative banks, RRBs, the central and state governments and foreign trainees to enable them to meet their work requirements. These courses included, managerial programmes on personnel management, courses in industrial relations, human resources development modules, housekeeping, computer appreciation, creativity, organisational excellence, managerial effectiveness and value systems. In line with the government policy on promoting the official language, the BTC also conducted programmes in Hindi. The BTC acted as a communication platform to help Reserve Bank officers prepare for promotion to higher grades. It also conducted programmes designed to meet specific requirements of the sponsoring institutions.

The Reserve Bank Staff College (RBSC) served as the introductory communication medium for officers joining the Reserve Bank. Participants were apprised of the operations of various departments of the Bank, and courses were designed to augment the technical, supervisory and human relations skills of newly recruited and promotee officers. Middle management officers were also trained at the RBSC. Special programmes on communication skills and seminars and workshops on time management and executive health hazards were handled by the RBSC for senior officers of the Reserve Bank. Computer appreciation programmes were conducted for officers across various grades. The college also provided training to central bankers from other developing countries. These included officials from Bhutan, Botswana, Ghana, Kenya, Macau, Malawi, Nepal, Sudan, Tanzania, Uganda and Zambia. This widened the communication network of the RBSC beyond national boundaries.

The Zonal Training Centres (ZTCs) of the Reserve Bank facilitated capacity-building among the clerical cadres. The ZTCs also trained tellers and coin/ note examiners of the Cash Department on a regular basis. Class IV staff of the Bank were trained at the ZTCs in various fields, especially in the area of security awareness. Certain courses were undertaken in the

38. BTC was closed and in its place Centre for Advanced Financial Research and Learning (CAFRAL) was inaugurated by Dr Manmohan Singh, the Prime Minister, in March, 2006.

local languages to ensure proper understanding of issues, which ensured better internal communication.

The college of agricultural banking (CAB) focused on providing training in banking policies, practices and procedures exclusively for co-operative banks. The curriculum of the programmes underwent changes with the multi-agency approach and the introduction of commercial banks into the realm of agricultural and rural credit, particularly after nationalisation. Further, officers from various states and the central government development departments associated with the preparation and execution of agricultural projects also received training at the college. The programme design, in accordance with its widening scope, was modified and the emphasis shifted from co-operative banks to the broader sphere of agricultural development, banking and finance. With the establishment of RRBs in 1976, CAB introduced development programmes in rural finance exclusively for the officers of RRBs. Programmes were added for IES probationers and chief executives of co-operative banks. The initiation of highly specialised programmes, such as high-tech agriculture, plantation and horticulture, animal husbandry, forestry and waste water management made CAB a unique institution in terms of range of specialisation offered. The CAB conducted several programmes on behalf of organisations such as the Food and Agricultural Organisation in Rome, the Commonwealth Secretariat in London, the Asia Pacific Rural and Agricultural Credit Association in Manila, the Economic Institute, the World Bank and the IMF Institute in Washington. Programmes were also designed and conducted to suit the specific requirements of clients from Afghanistan, Nepal and Sri Lanka.

CONCLUDING OBSERVATIONS

Communication remained an important aspect of central banking in India since the inception of the Reserve Bank in 1935. The communication efforts in the Reserve Bank received a stimulus in 1945 when the DRS was set up to undertake publication of reports and research papers on issues of economic interest. To strengthen the communication practices, a separate cell was operationalised within the Economic Department in 1969, headed by a PRO. In March 1978, the post of the PRO was upgraded and the section was renamed the PRD.

The Reserve Bank's communication initiatives could be classified in terms of communication channels into three parts, namely, publications,

speeches, and others. While periodic publication of bulletins, reports, newsletters and pamphlets furnished a wealth of information on macroeconomic developments and the working of various schemes supported by the Reserve Bank, speeches by Governors and Deputy Governors provided glimpses of Reserve Bank's thinking and stance on an array of issues. Besides being a rich source of knowledge and information, views expressed by the top executives, it was believed, could influence market sentiments. Other endeavours towards this end included the creation and maintenance of a Reserve Bank website, strengthening internal communication by encouraging in house magazines and circulating handouts on the various welfare schemes promoted by the Bank.

In the aftermath of the securities scam in the transaction of government securities, there was a conscious attempt to improve intra-departmental communication to assess the signs of incipient strains in the financial system, so that such events could be addressed on time. In pursuance of the recommendations of the Janakiraman Committee, an MIC was set up in the Bank in the year 1992–93, to strengthen market intelligence mechanisms.

In response to the revolution in information technology, the Reserve Bank of India website was put into operation on September 17, 1996. The site regularly hosted publications brought out by the Bank, besides disseminating press releases and speeches of the top executives of the Bank. The site was also a propagation point for data on the Indian economy, particularly data on the banking and financial sectors, apart from serving the useful purpose for communicating statistics under the SDDS of the IMF.

To a considerable extent, the economic liberalisation and financial sector reforms of the 1990s were responsible for the Reserve Bank adopting a more active communication strategy and with good results. This was evident from rich content and analytical review of the policy perspectives contained in the bi-annual credit policy circulars, the increasing number of speeches of the top executives of the Bank to express the rationale of monetary policy measures as also reforms in the banking sector and constant refining of the contents and scope of the publications with the aim of communicating the Reserve Bank's stance on various issues in a purposeful manner.