# TREND AND PROGRESS OF BANKING IN INDIA 1964

ANNUAL REPORT UNDER SECTION 36(2) OF THE BANKING COMPANIES ACT, 1949

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# CHAPTER I

## CREDIT POLICY AND BANKING TRENDS

**The Economy in 1964**

The Indian economy experienced considerable strain in 1964. Though agricultural production increased by 2.4 per cent in the agricultural year 1963-64 over the level of the previous year, this represented no more than a recovery, in absolute terms, from the drop in production in 1962-63. The output of foodgrains in 1963-64 was only fractionally higher than that in the previous year, a number of other agricultural commodities showed but a marginal rise, while the production of oilseeds in fact declined. There was also a deceleration in the rate of growth of industrial production; in 1964 the index of industrial production rose by 6.7 per cent as compared to the rise of 9.1 per cent in 1963. Overall real national income was estimated to have risen in 1963-64 by 4.3 per cent. On the other hand, demand pressures were building up due to the operation of both long-term factors such as population growth and urbanisation, and short-term factors such as the rate of expansion in money incomes. Money supply, though rising at a slower rate than in the previous year, expanded by 10.2 per cent in 1964. The continuing imbalance between aggregate monetary demand and overall supplies was reflected in a price increase of 17 per cent in 1964, which was twice as much as in 1963, very substantially due to the supply and demand conditions affecting foodgrains. Prices of foodgrains rose during 1964 by 29 per cent as compared to the rise of 15.3 per cent in 1963. The emphasis of short term economic policy was, therefore, directed, on the one hand, towards enlarging the flow into the markets of essential commodities like foodgrains through intensification of procurement, arrangements for larger imports and regulation of the machinery for distribution; and, on the other hand, towards dampening the force of demand and, in particular, controlling the build-up of inventories. On the fiscal side, this called for holding down the level of deficit financing; and in the sphere of monetary policy, the objective was to seek through general and, where indicated, selective measures, a restraint on credit expansion, while at the same time meeting in full the genuine productive requirements of the growing economy.

2. The year 1964 opened with the busy season of 1963-64 well under way. That season turned out to be the busiest on record indicating the need for a stronger action on the part of the Reserve Bank of India than in the previous years. Opportunity was taken to see that the measures devised to meet the needs of the current situation also helped in the long-term objectives of banking growth.

**Busy Season 1963-64**

3. The circumstances leading to some liberalisation of credit policy on the eve of the 1963-64 busy season, especially in the context of an unusually large contraction in the 1963 slack season, were described in the Report for 1963. As the season progressed it became evident that the agricultural outturn was going to be smaller than expected. On the other hand, the expansion of bank credit reached a very high rate. The consequent imbalance between the pressures arising out of monetary expansion and supply availabilities necessitated, once again, action in the direction of restraint and, as stated in the last Report, a tightening of the credit policy was effected in March 1964. Further, the selective controls imposed on advances against paddy and rice, and groundnuts were supplemented in April 1964 by a reimposition of ceilings and margin requirements on advances against wheat. These measures influenced credit expansion during the season. But, the expansion still

reached the level of Rs. 376 crores, or 83 per cent higher than in the previous busy season when it amounted to Rs. 205 crores ; it followed the large contraction of Rs. 123 crores, whereas the 1962-63 busy season expansion came after a contraction of only Rs. 34 crores in the 1962 slack season (Table 1). Deposits of scheduled banks also rose by a

TABLE 1—SEASONAL VARIATIONS IN SCHEDULED BANKS' DATA

(Rs. crores)

| | Busy Season | | Slack Season | | Last Friday of | |
|---|---|---|---|---|---|---|
| | 1962-63 | 1963-64 | 1963 | 1964 | Dec. 1963 over Oct. 1963 | Dec. 1964 over Oct. 1964 |
| 1. Aggregate Deposits .. .. .. .. .. | + 36.9 | + 82.7 | +147.5 | +211.8 | + 17.6 | – 5.9 |
| (*i*) Demand .. .. .. .. .. .. | + 62.2 | +128.0 | + 81.9 | +115.5 | + 49.3 | – 13.1 |
| (*ii*) Time .. .. .. .. .. .. | – 25.3 | – 45.3 | + 65.6 | + 96.3 | – 31.7 | + 7.2 |
| 2. Borrowings from the Reserve Bank .. .. | + 21.8 | + 43.2 | – 29.4 | – 43.3 | + 6.3 | + 33.7 |
| 3. Cash in Hand & Balances with the Reserve Bank | + 4.7 | – 29.6 | + 42.9 | + 11.4 | – 30.1 | + 7.0 |
| 4. Investments in Government Securities .. .. | – 97.4 | –144.9 | +144.5 | +259.0 | – 48.6 | –105.5 |
| 5. Money at Call and Short Notice .. .. | – 7.3 | – 15.5 | + 15.8 | + 23.0 | – 9.8 | – 4.3 |
| 6. Total Bank Credit .. .. .. .. | +204.6 | +375.6 | –122.7 | –136.2 | +113.4 | +104.5 |

*Note* : The data are based on monthly returns submitted by banks on Form XIII, except in respect of borrowings from the Reserve Bank of India which are based on weekly returns submitted by banks.

much larger amount of Rs. 83 crores as compared to the growth of Rs. 37 crores in November 1962-April 1963, but the rise was inadequate to meet the credit expansion. Consequently, the credit/deposits ratio climbed up from 65.7 per cent on the eve of the season to 79.5 per cent, which compared with the rise from 67.6 per cent to 76.2 per cent in the earlier season (Table 2); and

TABLE 2—SEASONAL PATTERN OF PRINCIPAL RATIOS OF SCHEDULED BANKS

(Amounts in Rs. crores)

| | April 26, 1963 | | Oct. 25, 1963 | | April 24, 1964 | | Oct. 30, 1964 | | Dec. 27, 1963 | | Dec. 25, 1964 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* |
| 1. Aggregate Deposits | 2087.7 | *100.0* | 2235.2 | *100.0* | 2317.9 | *100.0* | 2529.7 | *100.0* | 2252.8 | *100.0* | 2523.8 | *100.0* |
| (*i*) Demand .. | 866.0 | *41.5* | 947.9 | *42.4* | 1075.9 | *46.4* | 1191.4 | *47.1* | 997.2 | *44.3* | 1178.3 | *46.7* |
| (*ii*) Time .. .. | 1221.7 | *58.5* | 1287.3 | *57.6* | 1242.0 | *53.6* | 1338.3 | *52.9* | 1255.6 | *55.7* | 1345.5 | *53.3* |
| 2. Borrowings from the Reserve Bank .. | 31.2 | — | 1.8 | — | 45.0 | — | 1.7 | — | 8.1 | — | 35.4 | — |
| 3. Cash in hand and balances with the Reserve Bank .. | 128.6 | *6.2* | 171.5 | *7.7* | 141.9 | *6.1* | 153.3 | *6.1* | 141.4 | *6.3* | 160.3 | *6.4* |
| 4. Investments in Government Securities | 611.3 | *29.3* | 755.8 | *33.8* | 610.9 | *26.4* | 869.9 | *34.4* | 707.2 | *31.4* | 764.4 | *30.3* |
| 5. Money at Call and Short Notice .. | 47.0 | *2.3* | 62.8 | *2.8* | 47.3 | *2.0* | 70.3 | *2.8* | 53.0 | *2.4* | 66.0 | *2.6* |
| 6. Total Bank Credit .. | 1590.2 | *76.2* | 1467.5 | *65.7* | 1843.1 | *79.5* | 1706.9 | *67.5* | 1580.9 | *70.2* | 1811.4 | *71.8* |

*Note.*—The percentages are ratios to aggregate deposits.

banks were forced to resort to a greater liquidation of their investments in Government securities and larger borrowings from the Reserve Bank as compared to the 1962-63 season. The increase in their borrowings from the Reserve Bank, by Rs. 43 crores, was nearly twice that in 1962-63 ; at their peak on March 6, 1964, the borrowings were Rs. 107 crores compared to Rs. 83 crores on March 8, 1963. Reflecting the monetary stringency, inter-bank call money rates of 1.84 per cent in Bombay and 1.49 per cent in Calcutta on the eve of the busy season reached the season's highest levels of 6.53 per cent in Bombay and 6.62 per cent in Calcutta on April 3, 1964. Credit expansion against seasonal commodities, though in absolute amounts higher at Rs. 201 crores, was smaller proportionately to the total in the 1963-64 season than in the earlier year (Table 3). Advances against

TABLE 3—SEASONAL TRENDS IN BANK CREDIT : SECURITY-WISE CLASSIFICATION

(Rs. crores)

| Security | Busy Season 1962-63 | Busy Season 1963-64 | Slack Season 1963 | Slack Season 1964 | Calendar year 1963 | Calendar year 1964 | Outstanding as on Dec. 24, 1964 | Oct-Dec. 1963 | Oct-Dec. 1964 |
|---|---|---|---|---|---|---|---|---|---|
| **Seasonal Advances** .. .. .. | **+140.7** | **+201.1** | **—166.4** | **—193.9** | **+ 5.0** | **+ 5.8** | **262.0** | **+ 51.8** | **+ 50.5** |
| Paddy and Rice .. .. .. | + 8.9 | + 14.6 | — 11.0 | — 16.2 | + 0.8 | — 3.1 | 7.8 | + 5.2 | + 3.7 |
| Wheat .. .. .. .. | — 3.8 | — 3.0 | + 1.2 | — 2.5 | — 2.7 | — 3.7 | 2.4 | — 1.4 | + 0.4 |
| Other Foodgrains .. .. .. | + 0.4 | + 4.1 | — 1.4 | — 6.1 | + 1.5 | — 1.5 | 7.9 | + 0.2 | + 0.8 |
| Sugar and Gur .. .. .. | + 26.2 | + 65.7 | — 68.6 | — 63.4 | — 33.6 | + 9.3 | 32.0 | + 5.4 | + 12.4 |
| Groundnut .. .. .. | + 10.0 | + 11.4 | — 11.6 | — 12.1 | + 2.8 | — | 13.5 | + 11.8 | + 12.5 |
| Cotton and Kapas .. .. .. | + 66.5 | + 68.6 | — 50.8 | — 57.3 | + 25.6 | + 7.6 | 95.5 | + 23.9 | + 20.1 |
| Raw Jute .. .. .. | + 13.5 | + 14.1 | — 7.5 | — 10.4 | + 6.2 | — 1.8 | 31.3 | + 8.8 | + 3.3 |
| Tea .. .. .. | — 6.0 | — 6.4 | + 7.7 | + 10.0 | — 2.2 | + 4.4 | 39.3 | — 8.6 | — 7.8 |
| **Non-Seasonal Advances** .. .. | **+ 57.0** | **+151.6** | **+ 8.9** | **+ 54.0** | **+ 91.8** | **+193.4** | **1,255.2** | **+ 52.5** | **+ 40.4** |
| Cotton Textiles .. .. .. | + 9.4 | + 16.4 | — 7.2 | + 6.1 | — 0.5 | + 28.6 | 164.1 | + 6.1 | + 12.2 |
| Jute Textiles .. .. .. | — 3.8 | + 4.0 | + 3.8 | + 8.3 | + 1.1 | + 12.3 | 42.2 | + 2.2 | + 2.3 |
| Iron & Steel and Engineering Goods .. .. .. .. | — 5.9 | + 22.8 | + 15.3 | + 15.0 | + 7.6 | + 38.0 | 241.2 | + 7.8 | + 7.9 |
| Shares of Joint Stock Companies .. | + 0.8 | + 8.9 | — 0.9 | — 8.0 | + 3.8 | — 0.5 | 93.8 | + 3.1 | + 1.7 |
| Debentures of Joint Stock Companies | + 4.3 | + 3.0 | — 6.8 | — 1.7 | — 2.1 | + 1.2 | 23.4 | + 0.4 | + 0.3 |
| Government and other Trustee Securities .. .. .. .. | — 2.8 | + 2.3 | — 6.7 | + 8.8 | — 7.2 | + 3.4 | 29.9 | + 1.1 | — 6.6 |
| Gold & Silver Bullion and Ornaments .. .. .. .. | — 23.8 | + 0.8 | — 0.9 | + 2.1 | — 11.8 | + 2.9 | 21.4 | + 0.8 | + 0.8 |
| Assets of Industrial Concerns .. | + 10.7 | + 16.2 | + 1.9 | + 13.1 | + 19.7 | + 27.3 | 122.8 | + 9.8 | + 7.8 |
| **Total Secured Advances** .. .. | **+197.7** | **+352.7** | **—157.5** | **—139.9** | **+ 96.7** | **+199.2** | **1,517.2** | **+104.4** | **+ 90.8** |
| **Unsecured Advances** .. .. | **+ 10.4** | **+ 23.2** | **+ 30.9** | **+ 12.2** | **+ 60.5** | **+ 37.1** | **296.7** | **+ 7.8** | **+ 9.6** |

*Source:* Fortnightly Survey of Bank Advances.

wheat and tea declined during the period by roughly the same amount as in the previous busy season, but the expansion of advances against sugar and *gur* was well over twice that in the 1962-63 busy season following the rise in their output and stocks. Non-seasonal advances in the 1963-64 season expanded nearly thrice as fast as in the previous one. Advances against manufactures and minerals, excluding sugar, rose by Rs. 78 crores as against Rs. 36 crores. While advances against iron and steel and engineering goods which had declined by Rs. 6 crores in the previous busy season increased by Rs. 23 crores following larger output, those against jute textiles increased by an amount equal to their decline in the previous busy season due to a rise in both output and stocks. As a measure aimed at reviving the capital market, the minimum margin requirements imposed in January 1962 in respect of bank advances against shares had been withdrawn in October 1963 ; advances against shares of joint stock companies consequently rose by Rs. 9 crores, whereas they had increased by less than a crore in the previous busy season. Advances against gold and silver bullion and ornaments, which declined in the 1962-63 busy season by Rs. 24 crores as a natural corollary to the Gold Control measures, expanded by less than a crore during the 1963-64 season. Unsecured advances increased by Rs. 23 crores, or more than twice the expansion in the previous busy season, but as a proportion of the total bank credit outstanding at the end of the season, they declined to 14.9 per cent from 17.2 per cent at the end of October 1963.

**Slack Season 1964**

4. In the slack season that followed, scheduled bank credit contracted by Rs. 136 crores. As stated earlier, though this reduction was larger than that of Rs. 123 crores in the previous slack season, it was smaller in relation to the preceding seasonal expansion. The inadequate contraction was juxtaposed against the deterioration in the supply position of foodgrains and edible oils, particularly in the large urban areas in food deficit States, and necessitated a further tightening of selective credit controls on advances against these articles. Accordingly, the minimum margins required to be maintained in respect of bank advances against oilseeds other than groundnuts were raised in July 1964 from 40 to 50 per cent and the higher margin was prescribed also for advances against vegetable oils including *vanaspati*. In August 1964, the minimum margin on advances against all foodgrains was raised from 35 per cent to 50 per cent, and the ceiling limits on advances against foodgrains other than rice and wheat were reduced from 100 to 90 per cent of the level reached in 1962, ceiling limits on advances against rice and wheat having been already prescribed in February and April respectively. Seasonal advances declined by Rs. 194 crores as compared to the fall of Rs. 166 crores in the 1963 slack season. Declines were recorded in nearly all the major commodity groups against which the earlier seasonal expansion was significant (Table 3). Non-seasonal advances, however, expanded very sharply by Rs. 54 crores, or by six times the expansion in the 1963 slack season. Whereas advances against cotton textiles had declined in the 1963 slack season by Rs. 7 crores, they rose in the 1964 season by Rs. 6 crores. The output of cotton textiles was higher, as also the stocks with the mills, as compared to the position a year ago. Advances against jute textiles recorded more than twice the rise in the previous slack season though there was a slight decline in stocks in the 1964 season as the prices of jute manufactures increased substantially. Unsecured advances, however, expanded by less than half the increase in the previous slack season following the Governor's request to banks in March 1964 to review their portfolios of clean advances and bring down their levels. Over the year, the proportion of unsecured advances to the total advances outstanding at the end of the season declined from 17.2 per cent to 16.7 per cent. Advances against shares declined by Rs. 8 crores, more or less offsetting the rise in the preceding busy season, mainly in view of the depressed condition of the stock markets. Though the seasonal credit contraction was relatively smaller, the growth in deposits at Rs. 212 crores was substantial (Table 1) and is to be related to the continuing expansion of bank credit to Government sector. The scheduled banks' credit/deposits ratio dropped from 79.5 per cent to 67.5 per cent as compared to the fall from 76.2 per cent to 65.7 per cent in the previous slack season (Table 2). Banks took advantage of the deposit growth and credit contraction during the 1964 slack season to raise the ratio of investments in Government securities to aggregate deposits from 26.4 per cent to 34.4 per cent. For some of the larger banks, the additional investment was a matter of necessity to meet the higher statutory liquidity requirements in force from September 16, 1964. Banks also repaid their borrowings from the Reserve Bank reducing the outstandings on this account by Rs. 43.3 crores to Rs. 1.7 crores at the end of October 1964. Cash reserves were, however, up only by Rs. 11 crores. Seasonally, the money market continued to be easy to close the slack season with the call rate at 1 per cent in Bombay and 1.7 per cent in Calcutta.

5. A reference has been made earlier to the selective control measures taken to deal with the situation posed by the inadequate contraction in the total of credit in the face of emerging shortages; the continuance of a high level of credit

also added to the pressures on the side of demand. Consequently, by the middle of September 1964 prices had risen by 15.5 per cent over the year, while the increase in prices of foodgrains, at 31.9 per cent, was more then twice as much. Bank credit was 19 per cent higher than a year ago. Viewing the situation at the tail end of the slack season, it appeared that the ensuing busy season would call for significant expansion in credit on an already extended base. The objective of policy was, therefore, to enforce a degree of discipline in the use of credit without denying it to the productive sectors of the economy. It was against this background that the Reserve Bank effected on September 25, 1964 a major revision in its credit policy and the apparatus of credit control.

**Measures of Credit Control**

6. At this point, it would be useful to review the credit control system as it has evolved in recent years. The Bank introduced selective credit controls early in 1956 to deal with the problem of a speculative credit build-up in sensitive sectors. Its operation of selective controls indicated that the chances of their successful working were enhanced in an environment of general credit control, and such general credit restrain was adopted effective from October 1, 1960 by a regulation of the quantum and cost of accommodation available to scheduled banks from the Reserve Bank and through moral suasion. The quantum of accommodation was related to the scheduled banks' individual statutory cash reserves and thus to their deposits rather than to the level of credit extended by them. The quota system was aimed at regulating the total supply of bank credit, while margin requirements and ceilings under selective controls or covered by moral suasion aimed at controlling the quantum of credit available to individual sectors. The element of cost escalation was gradual and moderate ; its incidence in any event was mainly on the private sector. Thus the system involved control more directly of the total and selective availability of credit than of its cost. Even at the peak levels of their borrowings from the Reserve Bank (Table 4), scheduled banks paid a weighted average rate of interest of 5.47 per cent in April 1961, 5.10 per cent in March 1962, 5.80 per cent in March 1963 and 5.16 per cent in March 1964, while under the All-India Inter-Bank Agreement on Minimum Advances Rates, the minimum rate charged by them on their advances was 6 per cent till January 2, 1963

TABLE 4—PEAK LEVELS OF SCHEDULED BANKS' BORROWINGS FROM THE RESERVE BANK

(Rs. crores)

| Date | Total Limits Sanctioned | Amount Borrowed at Various Rates of Interest | | | | | Total Borrowings Outstanding | Weighted Average Rate of Interest | Total Borrowings Outstanding as percentage of Total Limits (8 as percentage of 2) |
|---|---|---|---|---|---|---|---|---|---|
| | | 4% | 4.5% | 5% | 6% | 6.5% | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| April 1, 1961 (1960-61 Busy Season) .. | 108.65 | 17.44 | — | 15.12 | 61.03 | — | 93.59 | 5.47 | 86.1 |
| March 17, 1962 (1961-62 Busy Season) .. | 197.47 | 23.34 | — | 14.43 | 29.92 | — | 67.69 | 5.10 | 34.3 |
| March 8, 1963 (1962-63 Busy Season) .. | 175.33 | — | 26.05 | — | 11.98 | 45.37 | 83.40 | 5.80 | 47.6 |
| March 6, 1964 (1963-64 Busy Season) .. | 218.33 | — | 59.86 | — | 47.08 | — | 106.94 | 5.16 | 49.0 |

and 6½ per cent thereafter till September 25, 1964.† Control on availability, especially for specific purposes, has a very legitimate and essential place in the armoury of a central bank in a developing economy with its proneness to bottlenecks and strains in specific sectors. But cost of credit with the efficiency of its use that it engenders must also remain a vital part of the control mechanism. In the situation that developed in 1964, there was a greater need to bring the cost of credit to reflect more closely the relative scarcity of capital in the country so as to ensure a more meaningful employment of the factor endowments in the economy, and also to induce a larger formation of savings. While regulating bank credit during the year, therefore, along with the intensification of selective credit controls, greater emphasis was placed on the regulation of the cost of Reserve Bank accommodation available to scheduled banks. With the level of deficit financing set lower in 1964-65 than that in 1963-64, and the stiffer control on bank credit, the increase in deposits on account of these factors could be expected to be of a smaller order. In this context, it was realised that the interest rate instrument could be positively employed to help in the mobilisation of deposits. This would not only help to make savings more attractive but induce a more economic turnover of funds by the banking system through an increase in the cost of acquiring deposits, in the same manner as raising the cost to them of borrowing from the Bank.

7. In view of the tight balance of payments situation and the need to expand earnings from exports, the export sector continued to be accorded preferential treatment and remained a partial exception to the general scheme of pushing up the cost of finance. The Export Bills Credit Scheme introduced by the Bank in March 1963 thus remained in operation throughout the year, both under the quota-cum-slab rate system prevalent till September 25, 1964 and under the differential rates system which replaced the quota system. Accommodation from the Reserve Bank against rupee usance export bills continued to be available at the Bank rate, provided the borrowing bank agreed not to charge the exporters interest/discount/commission at a rate higher than 1½ per cent above the Bank rate.

**September 1964 Measures**

8. The September package of measures, therefore, took the form of raising the Bank rate and changing the system governing the accommodation from the Bank to scheduled banks. The Bank rate was raised from 4½ per cent to 5 per cent with effect from September 25, 1964. A differential system of interest rates in respect of the Reserve Bank accommodation was simultaneously adopted in substitution of the quota-cum-slab rate system. Under the new system, the rate charged on the borrowings of a scheduled bank varied with its net liquidity position defined as a ratio of net liquid assets to aggregate demand and time liabilities. Net liquid assets, for this purpose, have been defined as the total of cash and balances with the Reserve Bank, current account balances with other banks, and investments in Government and other approved securities *less* the borrowings from the Reserve Bank, the State Bank of India and the Industrial Development Bank of India.* Borrowings by a bank with a net liquidity ratio, so defined, equal to or more than 28 per cent were charged at the Bank rate and for every percentage point decline in the net liquidity ratio below 28 per cent, the rate on the entire amount of borrowings rose by ½ per cent. Banks were also advised to adopt a rational structure of interest rates paid on deposits with a view to encouraging further deposit mobilisation. They were recommended to pay a minimum rate of 4 per cent per annum on deposits of 91 days with adequate spreads for deposits for longer periods. At the same time, with a view to widening the spread between very short term and other maturities, the Bank imposed ceilings of 2.5 per cent and 1.25 per cent on interest rates payable on deposits for 46 to 90 days and 15 to 45 days, respectively; and payment of interest on deposits upto 14 days at rates higher

† Following the increase in Bank rate from 4½ per cent to 5 per cent on September 25, 1964 the minimum advances rate under the All-India Inter-Bank Agreement went up to 7 per cent.

* Net liquid assets were defined on September 25, 1964 as the total of a bank's cash, balances with the Reserve Bank, balances in current account with other banks and investments in Government securities *less* its total borrowings from the Reserve Bank and the State Bank of India. This definition was modified, as above, on December 4, 1964.

than those paid on current accounts was prohibited, eliminating the anomaly of a preferred clientele receiving attractive interest on what was in effect current account money such as the 3-day notice money (Table 5). Two additional measures were adopted to reinforce the restrictive impact of the policy. First, a ceiling of 9 per cent was imposed on the rates that Indian banks with aggregate demand and time liabilities of Rs. 50 crores and above and all foreign banks could charge on their advances and discounts. The ceiling would prevent the banks affected from increasing their total credit through resort to Reserve Bank accommodation even at higher rates by passing on the extra cost to the new borrowers. Secondly, the inflow of capital from abroad which could offset the impact of the restrictive credit policy was sought to be controlled by regulating the movements of foreign banking funds into India‡.

TABLE 5—INTEREST RATES ON DEPOSITS OFFERED BY THE STATE BANK OF INDIA AND OTHER MAJOR SCHEDULED BANKS

(Per cent per annum)

| | State Bank of India | | | Agreement Banks* with Deposits of Rs. 50 crores and above | | |
|---|---|---|---|---|---|---|
| | Prior to October 1, 1964 | October 1 to February 17, 1965 | Since February 18, 1965 | Prior to October 1, 1964 | October 1 to February 17, 1965 | Since February 18, 1965 |
| I. Current Accounts .. .. .. .. | nil | nil | nil | nil | nil | nil |
| II. Notice Money—at a withdrawal notice of 3 days or more .. .. .. .. .. | 3 | nil | nil | 3 | nil | nil |
| III. Term Deposits | | | | | | |
| 1. Upto 14 days .. .. .. .. | — | nil** | nil | 3 | nil** | nil |
| 2. 15 to 45 days .. .. .. .. | 3@ | 1¼** | 1½ | — | 1¼** | 1½ |
| 3. 31 to 60 days .. .. .. .. | 3¼@@ | — | — | 3¼ | — | — |
| 4. 46 to 90 days .. .. .. .. | — | 2½** | 3 | — | 2½** | 3 |
| 5. 61 to 90 days .. .. .. .. | 3½† | — | — | 3½ | — | — |
| 6. 91 days to less than 6 months .. .. | — | 4 | 5 | — | 4 | 5 |
| 7. 91 days to less than 7 months .. .. | — | — | — | 3¾ | — | — |
| 8. 6 months to less than 1 year .. .. | 3¾ | 4½ | 5½ | — | 4½ | 5½ |
| 9. 7 months to less than 1 year .. .. | — | — | — | 4 | — | — |
| 10. 1 year to less than 2 years .. ... | 4 | 5 | 6 | 4¼ | 5 | 6 |
| 11. 2 years to less than 3 years .. .. | 4¼ | 5¼ | 6¼ | 4½ | 5¼ | 6¼ |
| 12. 3 years to less than 4 years .. .. | 4¼ | 5½ | 6½ | 4¾ | 5½ | 6½ |
| 13. 4 years to less than 5 years .. .. | — | 5½ | 6½ | 5 | 5½ | 6½ |
| 14. 5 years to less than 6 years .. .. | — | 6 | 7 | 5½ | 6 | 7 |
| 15. 6 years to less than 7 years .. .. | — | 6 | 7 | 5¾ | 6 | 7 |
| 16. 7 years to less than 9 years .. .. | — | 6 | 7 | 6 | 6¼ | 7¼ |
| 17. 9 years & over .. .. .. .. | — | 6 | 7 | 6 | 6½ | 7½ |
| IV. Savings Bank Deposits .. .. .. | 3 | 3½ | 4†† | 3 | 3½ | 4†† |

* Banks which are members of the All-India Inter-Bank Agreement on Maximum Rates on Deposits.

** Effective from September 25, 1964.

@ Rate for deposits for a month or at 30 days' notice.

@@ Rate for deposits for 2 months or at 60 days' notice.

† Rate for deposits for 3 months or at 90 days' notice.

†† Effective from February 1, 1965.

‡ The rise in the U. K. Bank rate from 5 per cent to 7 per cent on November 23, 1964 influenced the picture materially in the current busy season, as most of the seasonal banking capital inflow is received from London. In the 1962-63 and 1963-64 busy seasons, the inflows amounted to Rs. 28.2 crores and Rs. 19.6 crores, respectively. Till the end of December, 1964 the inflow was Rs. 4.8 crores, as compared to Rs. 5.6 crores in November-December 1963.

**1964-65 Busy Season: November-December 1964**

9. The credit expansion during the 1964-65 busy season till the end of December, 1964 amounted to Rs. 105 crores as compared to Rs. 113 crores, or only 6.1 per cent as compared to 7.7 per cent, in the corresponding period of last year (Table 1), despite the price level being on the average about 17 per cent higher than a year earlier. Scheduled bank deposits, however, declined by Rs. 5.9 crores as against the rise of Rs. 17.6 crores during November-December 1963. The credit/deposits ratio thus increased from 67.5 per cent to 71.8 per cent ; the ratio moved up from 65.7 per cent to 70.2 per cent during the corresponding period in 1963 (Table 2). At the same time, banks this year (upto December end) added Rs. 7 crores to their cash balances, while during the same period last year they had brought down their balances by Rs. 30 crores. In the result, to finance even the smaller credit expansion this year, banks had to liquidate their investments in Government securities to the extent of Rs. 106 crores, or by more than double the amount liquidated last year, and borrow larger amounts from the Reserve Bank of India, Rs. 34 crores as compared to the previous year's increase in borrowings of Rs. 6 crores. The call money market in the two centres Bombay and Calcutta presented a contrasting picture, obviously due to local conditions, the rates being 5.07 per cent in Bombay and 3.72 per cent in Calcutta on December 25, 1964, as compared to 3.98 per cent and 4.27 per cent, respectively, on December 27, 1963. In the credit expansion during November and December 1964, seasonal advances accounted for only a fractionally smaller rise over the expansion during the same period last year, while the non-seasonal advances expanded by a fifth less than during the last year (Table 3). Advances against sugar and *gur* rose by about two and a half times the expansion last year as a result of higher production and stocks. On the other hand, the growth of advances against raw jute, and paddy and rice was smaller than in 1963 because of the depletion of stocks. The smaller expansion under non-seasonal advances is to be attributed to the slower rate of growth in industrial production ; but it should also be noted that it took place against the background of a very sharp rise in the preceding slack season. Thus advances against manufactures and minerals, excluding sugar and *gur* which had expanded by Rs. 46 crores in the slack season of 1964 as compared to the expansion of Rs. 26 crores a year before, went up during November-December 1964 only by Rs. 13 crores, whereas they had increased during the same months of 1963 by Rs. 25 crores. Advances against cotton textiles, however, expanded by twice the rise in 1963 due to accumulation of stocks with the mills. Indicative of the continued stagnancy in the stock market, advances against shares of joint stock companies increased by a smaller amount this year than in the last year, even as they had declined by as much as Rs. 8 crores during the 1964 slack season, while the decline in 1963 slack season was under a crore of rupees.

**Policy Measures of February 1965**

10. Inspite of the lower expansion in bank credit, however, the price situation continued to be difficult. By February 5, 1965 the busy season expansion in bank credit amounted to Rs. 206 crores, or 12.1 per cent of the credit outstanding at the end of October 1964, whereas during the same period last year it had increased by Rs. 245 crores or by 16.7 per cent. But despite the substantial increase in the production of foodgrains and other agricultural commodities, prices did not come down to the extent they do seasonally. At the end of January 1965, wholesale prices were 14 per cent higher than a year ago and the rise in the prices of foodgrains over the year was of the order of 27 per cent. Though in comparison with the expansion in 1963-64 the increase in credit was milder, the total scheduled bank credit of Rs. 1,911.4 crores on February 5, 1965 was 11.6 per cent higher than the level a year ago; and there was some evidence of inventory accumulation in the absence of a price response to larger agricultural production. Also, scheduled banks showed a greater reliance on accommodation from the Reserve Bank, the seasonal increase in borrowings upto February 5, 1965 amounting to Rs. 75.8 crores as compared to that of Rs. 47.4 crores in the corresponding period last year. At the same time, the foreign exchange position remained critical. The increase in the U.K. Bank rate

in November 1964 and the divergence between money rates in India and London seemed to have had the effect of delaying the receipts arising out of export transactions, with the result that in the period when this country should have experienced some relief to the international reserves, there was a contra-seasonal increase in pressures. A tightening of the restrictive measures in force was therefore indicated and on February 17, 1965 the Bank rate was put up by a full one per cent to 6 per cent. This move was accompanied by an adjustment in the system of progressively rising interest rates on accommodation to scheduled banks. Accommodation was henceforth to be made available at the Bank rate to a scheduled bank with a net liquidity ratio equal to or above 30 per cent, instead of 28 per cent previously ; and for every fall of 1 per cent or a fraction thereof in the net liquidity ratio, the rate of interest on the entire amount borrowed by the bank went up by half a per cent. Simultaneously, the ceiling of 9 per cent on the rate for advances/overdrafts/discounts of larger Indian and foreign banks was raised to 10 per cent.† At the same time, to adjust deposit rates suitably to the other changes, maximum interest rates payable on deposits for 15 to 45 days and 46 to 90 days were raised by a quarter per cent and half a per cent respectively ; and minimum rates were prescribed for deposits for 91 days, six months, and 1 year and for savings banks deposits at 5, 5½, 6 and 4 per cent, respectively (Table 5). The interest rate directives of the Bank have sought to correct the untenable position reflected in the extremely narrow spread with high rates at the short end and only slightly higher rates at the long end.

**Long-term Implications of Recent Measures for the Banking Industry**

11. The two major changes effected by the Reserve Bank in 1964, *viz.*, the revision of the system of its accommodation to scheduled banks and the prescription of minimum and maximum rates of interest paid and charged by banks to promote an orderly rate structure in the banking industry, are of significance from the long-term point of view to the development of an efficient banking system and its ability to meet the needs of a developing economy. The new policy places a premium on self-reliance by banks through further efforts at deposit mobilization. The rationalisation of the rate structure should help in narrowing the spread between deposit rates offered by banks *vis-a-vis* non-banking institutions. The new rate structure should not only help raise the banking system's deposits further but may also be expected to promote larger longer term deposits because of the higher rates offered on them. This in turn should improve the ability of banks to provide medium-term finance to industry, on which the returns are comparatively attractive and which, in the context of the limited debenture issues market, would promote industrial activity in the economy; on the current magnitude and composition of their resources, Indian banks have already extended as much medium-term credit as they may reasonably be expected to do. Another aspect to this is that the rate structure also improves the competitive ability of the medium and small sized banks *vis-a vis* the larger banks and thereby promotes the improvement in the banking facilities available to the community, while leading to a more rational use of the resources of the banking system as a whole.

12. The credit policy changes outlined above have to be viewed in combination with the enhanced statutory liquidity requirements. A few days before the September measures were adopted, the higher liquidity requirements under the Banking Companies Act came into force. Till September 16, 1964, Section 24 of the Act required a banking company to maintain a minimum ratio of 20 per cent between cash, gold or unencumbered approved securities on the one hand and its aggregate demand and time liabilities on the other. Under an amendment to the Act enacted in 1962, the minimum ratio has been raised to 28 per cent with effect from September 16, 1964. Most of the banking companies traditionally maintained liquidity ratios at higher levels than the statutory minimum (Table 6). But some banks recorded ratios well below the new statutory minimum of 28 per cent, especially at the peaks of the busy seasons. The raising of the minimum liquidity norm restricted

† Following the increase in Bank rate to 6 per cent on February 17, 1965 the minimum advances rate under the All-India Inter-Bank Agreement went up to 8 per cent.

TABLE 6—LIQUIDITY RATIOS OF SCHEDULED BANKS UNDER SECTION 24 OF THE BANKING COMPANIES ACT, 1949*

| | | All Scheduled Banks | Indian Scheduled Banks other than State Bank | Foreign Scheduled Banks | All Scheduled Banks other than State Bank |
|---|---|---|---|---|---|
| September | 1962 | 43.2 | 42.3 | 22.3 | 39.7 |
| October | 1962 | 44.3 | 43.3 | 21.8 | 40.5 |
| December | 1962 | 41.2 | 40.8 | 21.5 | 38.2 |
| April | 1963 | 35.4 | 33.2 | 21.3 | 31.2 |
| October | 1963 | 41.9 | 37.3 | 23.8 | 35.0 |
| December | 1963 | 38.6 | 35.6 | 22.1 | 33.3 |
| March | 1964 | 33.3 | 30.1 | 21.5 | 28.9 |
| April | 1964 | 32.8 | 30.8 | 21.2 | 29.3 |
| May | 1964 | 33.1 | 31.3 | 21.8 | 29.7 |
| June | 1964 | 35.3 | 33.3 | 23.7 | 31.7 |
| July | 1964 | 38.3 | 35.2 | 26.5 | 33.8 |
| August | 1964 | 38.9 | 35.4 | 27.9 | 34.2 |
| September | 1964 | 39.5 | 36.4 | 30.3 | 35.4 |
| October | 1964 | 41.2 | 38.0 | 31.0 | 36.9 |
| November | 1964 | 41.0 | 38.3 | 32.5 | 37.2 |
| December† | 1964 | 37.2 | 35.9 | 30.1 | 35.0 |

* Based on returns submitted on Form X, prescribed under the Banking Companies Act, 1949.

† Provisional.

the ability of these banks to create additional credit and thus underpinned the impact of the Reserve Bank's measures. Another effect of the coming into force of the higher liquidity rates is that it has helped to bring about a more rational assets distribution pattern as between different constituents of the system. Banks, other than the State Bank of India, with deposits of over Rs. 100 crores, which together accounted for slightly less than one-third of the bank credit made available by scheduled banks, had at the end of April 1962, 1963 and 1964, for example, the lowest proportion of their total deposits invested in Government securities next only to the foreign banks operating in the country. Both these sets of banks maintained group investment ratios between 17 per cent and 25 per cent. On the other hand, banks, other than the subsidiaries of the State Bank of India, with deposits of Rs. 5 to Rs. 15 crores often had, as a group, more than 30 per cent of their aggregate deposits invested in Government securities and banks with deposits between Rs. 15 crores and Rs. 50 crores had investment ratios varying between 24 per cent and 30 per cent. As a corollary to their different investment ratios, group credit/deposits ratios of banks of different sizes varied considerably. Banks, other than the State Bank of India, with deposits of over Rs. 100 crores had, as a group, end-busy season credit/deposits ratios of 79 per cent in April 1962, 83 per cent in April 1963 and 86 per cent in April 1964. The corresponding ratios for banks with deposits of Rs. 50 crores to Rs. 100 crores were 73 per cent, 75 per cent and 81 per cent; and banks with deposits between Rs. 15 crores and Rs. 50 crores had lower credit/deposits ratios, namely, 69 per cent, 69 per cent and 75 per cent on the same dates. Banks with lower deposits had still lower group credit/deposits ratios. The new minimum liquidity requirements obliged the banks with lower investment ratios and higher than average credit/deposits ratios to reduce the latter. The business they could not take up as a result of the pressure on their resources position was partly diverted to the smaller banks which traditionally maintained higher investments in Government securities and had generally lower credit/deposits ratios, one of the reasons suggested for which has been an inadequate opportunity for utilisation of funds in view of the competition for lending offered by the bigger banks. Since the amendment to the Banking Companies Act providing for a minimum liquidity ratio of 28 per cent, banks with deposits between Rs. 15 crores and Rs. 100 crores are recording higher credit/deposits ratios, the ratios falling for the foreign banks and the Indian banks, other than the State Bank of India, with deposits of over Rs. 100 crores. This development places the comparatively smaller banks in a better position to compete with the bigger institutions, one result of which, already perceptible, is the extension of banking services to a wider clientele. The higher liquidity ratio also induces banks to take more active steps in improving their deposits. This has taken the form, naturally, of intensive banking in the areas already covered by bank offices. But over a longer period, banks, particularly the bigger institutions which are in a better position to stand the initial losses and provide for the necessary skilled staff, would be well advised to turn to opening offices in towns and areas that do not have banking facilities ; a more detailed reference to this aspect is made in the subsequent Chapter. At the same time, the significant progress made by the Reserve Bank in the reconstruction and amalgamation of banking companies, also referred to subsequently, has improved the viability of a number of small banks and their ability to provide more banking facilities.

**Sources and Uses of Funds in 1964**

13. A summary of the banking results over the year as indicated in changes in sources and uses of funds of scheduled banks is given in Table 7. Total resources rose over the year by Rs. 324.4 crores, or by 19 per cent more than in 1963. Deposit accretion accounted for 84 per cent of the increase in resources ; in the previous year its share was nearly 78 per cent. On the other hand, nearly 71 per cent of the addition to resources this year was utilised to expand credit while the corresponding percentage in 1963 was 58. Further, scheduled banks utilised 23 per cent of the rise in resources to add to their investments†† in 1964, whereas in the previous year, the increase in investments took up over 34 per cent of the resources accretion. Cash holdings also rose by over twice the rise in 1963. The pressure on the resources in 1964 as compared to the previous year is indicated by the fact that whereas they *reduced* their borrowings from the Reserve Bank by Rs. 12.6 crores in 1963, they *increased* them by Rs. 27.3 crores in 1964.

TABLE 7—CHANGES IN SOURCES AND USES OF SCHEDULED BANKS' FUNDS

(Rs. crores)

| | 1964 | 1963 |
|---|---|---|
| I. SOURCES | | |
| (*a*) Increase in paid-up capital and reserves .. .. .. | 5.2 | 4.4 |
| (*b*) Increase in deposits .. .. | 271.0 | 213.9 |
| (*c*) Increase in borrowings from the Reserve Bank* .. .. | 27.3 | — |
| (*d*) Inflow of funds from abroad † | 0.3 | 1.4 |
| (*e*) Increase in miscellaneous items | 20.6‡ | 52.8‡ |
| Total .. .. | 324.4 | 272.5 |
| II. USES | | |
| (*a*) Reduction of borrowings from the Reserve Bank* .. | — | 12.6 |
| (*b*) Increase in bank credit .. | 230.5 | 159.1 |
| (*c*) Increase in cash and balances with the Reserve Bank .. | 18.9 | 8.7 |
| (*d*) Increase in investments .. | 75.0 | 92.1 |
| Total .. .. | 324.4 | 272.5 |

* Based on weekly returns of scheduled banks.

† Based on Exchange Control data of authorised dealers' claims on and liabilities to non-residents in foreign currencies and rupees; rupee balances of non-resident individuals and firms with authorised dealers are excluded.

‡ Derived figures.

14. Aggregate deposits of scheduled banks rose over the year by 12 per cent as against the increase of 10.5 per cent in 1963 (Table 8). The growth of Rs. 271 crores was recorded after the transfer of Rs. 34 crores of P.L. 480 funds from the State Bank of India to the Reserve Bank as compared to the transfer of Rs. 42 crores in 1963. The transfers of P. L. 480 funds, which commenced in July 1960, totalled Rs. 240 crores till the end of 1964. The rise of Rs. 757 crores in scheduled banks' deposits during the five years ending 1964 thus understates the order of deposit mobilisation achieved during the period. During the last decade, deposits have gone up by 185 per cent while total bank credit increased by 255 per cent. The relatively much higher growth in credit was financed by scheduled banks by holding down the additions to investments to 144 per cent of the figure at the end of 1954 and by increasing the cash balances by only 55 per cent. Thus, the credit/deposits ratio rose from 57.7 per cent at the end of 1954 to 71.8 per cent at the end of 1964, while the investments/deposits ratio came down from nearly 42 per cent to nearly 36 per cent and the cash/deposits ratio from 11.7 per cent to 6.4 per cent.

**Composition of Deposits**

15. The long-term changes in the composition and pattern of ownership of deposits, in the purpose-wise pattern of bank advances and in the distribution of investments of banks may now be briefly reviewed. Data on the distribution of deposits between

†† In this and the following paragraphs, investments refer to a) investments in Government and other approved securities b) investments in shares and debentures of joint stock companies and c) time deposits with other banks and savings deposits with post-offices etc.

## TABLE 8

### PRINCIPAL LIABILITIES AND ASSETS OF SCHEDULED BANKS 1955-1964

(Rs. crores)

| As on last Friday of December | No. of Reporting Banks | Demand Deposits (excluding inter-bank deposits) | Time Deposits (excluding inter-bank deposits) | Aggregate Deposits | Borrowings from Reserve Bank | Cash in Hand and Balances with Reserve Bank | *Percentage of (6) to (4)* | Total Bank Credit* | *Percentage of (8) to (4)* | Investments: Government Securities† | Investments: Others | Total Investments | *Percentage of (10) to (4)* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1955 | 89 | 571.8 | 403.9 | 975.7 | 30.0 | 100.2 | *10.3* | 593.6 | *60.8* | 382.8 | 30.2 | 413.0 | *39.2* |
| 1956 | 89 | 603.4 | 449.1 | 1052.5 | 79.1 | 90.5 | *8.6* | 744.9 | *70.8* | 364.2 | 30.6 | 349.8 | *34.6* |
| 1957 | 91 | 658.9 | 638.7 | 1297.5 | 23.6 | 107.6 | *8.3* | 819.5 | *63.2* | 432.9 | 50.8 | 483.7 | *33.4* |
| 1958 | 93 | 649.8 | 866.4 | 1516.2 | 11.0 | 119.4 | *7.9* | 830.6 | *54.8* | 637.0 | 54.9 | 691.9 | *42.0* |
| 1959 | 94 | 668.9 | 1097.9 | 1766.8 | 11.8 | 113.9 | *6.4* | 921.9 | *52.2* | 787.4 | 67.6 | 855.0 | *44.6* |
| 1960 | 93 | 721.0 | 1086.4 | 1807.3 | 61.5 | 162.0 | *9.0* | 1130.0 | *62.5* | 630.3 | 63.4 | 693.7 | *34.9* |
| 1961 | 82 | 732.6 | 1102.1 | 1834.7 | 18.7 | 155.8 | *8.5* | 1277.0 | *69.6* | 577.0 | 74.8 | 651.8 | *31.4* |
| 1962 | 80 | 816.9 | 1222.0 | 2038.9 | 20.7 | 132.7 | *6.5* | 1421.8 | *69.7* | 646.2 | 91.3 | 737.5 | *31.7* |
| 1963 | 79 | 997.2 | 1255.6 | 2252.8 | 8.1 | 141.4 | *6.3* | 1580.9 | *70.2* | 707.2 | 122.4 | 829.6 | *31.4* |
| 1964 | 76 | 1178.3 | 1345.5 | 2523.8 | 35.4 | 160.3 | *6.4* | 1811.4 | *71.8* | 764.4 | 140.2 | 904.6 | *30.3* |

*Notes :* 1. Figures are based on Form XIII of the Banking Companies Act, except those in column 6 which are based on weekly returns submitted by scheduled banks to the Reserve Bank in terms of Section 42(2) of the Reserve Bank of India Act. 2. Figures from December 1961 are on a revised basis and consequently these data are not strictly comparable with those for the earlier years.

*Includes inland and such foreign import bills as are accounted through bills purchased and discounted account upto December 1960 and all bills accounted hrough bills purchased and discounted account thereafter. †Includes Treasury bills and Treasury deposit receipts.

demand and time components show that time deposits which formed a rising proportion of total deposits till 1962 are since seen (Table 9) to decline as a share of the total. As higher interest rates have been paid on time deposits since 1961, this fall in the share of the time component of total deposits calls for an explanation. Transfers of P.L. 480 funds from the State Bank of India to the Reserve Bank of India amounted to Rs. 20 crores in 1962, and tranfers in 1963 and 1964 are referred to in the preceding paragraph. As the amounts transferred were held by the State Bank of India as time deposits, their transfers reduce the share of time deposits in the total.* But a closer examination of the statistics reveals that notwithstanding these transfers, the fall in the share of time deposits since 1962 is not so much a change in the trend as the result of classificatory changes in deposit statistics. Various banks have in recent years been progressively classifying savings deposits, which as a share of total bank deposits have risen from 17.1 per cent in 1961 to 22.2 per cent in 1964, as demand deposits following the competitive liberalisation by them of savings deposits rules since April 1963, a process which may have been facilitated by the unification of the cash reserve ratio in September 1962. Thus the demand liability portion of savings deposits which formed 81.7 per cent of total savings deposits at the end of 1963, formed 87.6 per cent of the total at the end of 1964. The other classificatory change follows from the prescription of the Reserve Bank in September 1964 that the rate of interest paid on deposits for periods of less than 15 days should not exceed the rate allowed on current accounts, as a result of which deposits at short notice have been converted into demand deposits. Thus, the proportion of demand deposits to total deposits is seen in deposits statistics to have risen from 44.3 per cent at the end of 1963 to 46.7 per cent at the end of 1964; but if the savings deposits are excluded, the rise in the share of demand deposits to the total during the year is negligible, from 34.7 per cent at the end of 1963 to 35 per cent at the end of 1964.

TABLE 9—COMPOSITION OF DEPOSITS OF SCHEDULED BANKS, 1961-1964

(Rs. crores)

| Last Friday of December | Aggregate Deposits | Demand Deposits (Excluding inter-bank deposits) | *Percentage* | Time Deposits (Excluding inter-bank deposits) | *Percentage* | Distribution by Type of Deposits: Current Deposits Amount | *Percentage* | Savings Deposits Amount | *Percentage* | Fixed Deposits Amount | *Percentage* | Cash Certificates & Recurring Deposits Amount | *Percentage* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1961 .. | 1834.7 | 732.6 | *39.9* | 1102.1 | *60.1* | 538.6 | *29.4* | 313.1 | *17.1* | 937.1 | *51.1* | 45.9 | *2.5* |
| 1962 .. | 2038.9 | 816.9 | *40.1* | 1222.0 | *59.9* | 578.9 | *28.4* | 379.1 | *18.6* | 1035.1 | *50.8* | 45.8 | *2.2* |
| 1963 .. | 2252.8 | 997.2 | *44.3* | 1255.6 | *55.7* | 623.3 | *27.7* | 457.4 | *20.3* | 1129.4 | *50.1* | 42.7 | *1.9* |
| 1964 .. | 2523.8 | 1178.3 | *46.7* | 1345.5 | *53.3* | 687.7 | *27.2* | 560.3 | *22.2* | 1237.0 | *49.0* | 38.8 | *1.5* |

*Note*:—The percentages are ratios to aggregate deposits.

* In 1960 and 1961, there were larger transfers of Rs. 72 crores each, but the share of the time deposits in the total was still rising.

**Ownership of Deposits**

16. As regards the ownership pattern of bank deposits, personal deposits as at the end of March 1964 accounted for the largest share (49.2 per cent) in the total, as in previous years (Table 10). Business deposits formed 28.5 per cent of the total compared to 29.9 per cent a year ago, notwithstanding the increase in the number of accounts from 6.84 lakhs to 7.45 lakhs. The share of business deposits has shown a decline since 1961 due to the steady rise in the cost of bank credit Deposits of trading and financial concerns as a share of the total declined from 20.9 per cent at the end of March 1963 to 19.5 per cent at the end of March 1964 while deposits of industrial concerns maintained their share around 8.3 per cent over the year. The proportion of deposits of Government and quasi-Government bodies in the total increased from 8.3 per cent to 8.6 per cent.

TABLE 10—OWNERSHIP PATTERN OF DEPOSITS OF SCHEDULED BANKS 1961, 1963 AND 1964

(Accounts in thousands; Amount in Rs. crores)

| | April 28, 1961 | | | March 31, 1963 | | | March 31, 1964 | | |
|---|---|---|---|---|---|---|---|---|---|
| Number of Reporting Banks | 84 | | | 78 | | | 76 | | |
| | Accounts | Amount | *Percentage* | Accounts | Amount | *Percentage* | Accounts | Amount | *Percentage* |
| I. Business .. .. .. | 6,28 | 564.1 | *33.3* | 6,84 | 622.3 | *29.9* | 7,45 | 675.2 | *28.5* |
| (*a*) Industry .. .. .. | 65 | 165.2 | *9.8* | 76 | 172.3 | *8.3* | 85 | 193.5 | *8.2* |
| (*b*) Trading .. .. .. | 5,18 | 230.0 | *13.6* | 5,67 | 256.0 | *12.3* | 6,17 | 271.5 | *11.5* |
| (*c*) Financial .. .. .. | 33 | 149.6 | *8.8* | 30 | 179.6 | *8.6* | 30 | 189.7 | *8.0* |
| (*d*) Others .. .. .. | 13 | 19.4 | *1.1* | 11 | 14.5 | *0.7* | 13 | 20.5 | *0.9* |
| II. Personal (Individuals) .. .. | 53,22 | 809.4 | *47.8* | 66,28 | 1028.7 | *49.4* | 76,40 | 1166.1 | *49.2* |
| III. Professional .. .. .. | — | — | — | 78 | 27.2 | *1.3* | 1,22 | 39.7 | *1.7* |
| IV. Government and quasi-Government Bodies .. .. .. | 20 | 133.2 | *7.9* | 25 | 173.0 | *8.3* | 28 | 204.3 | *8.6* |
| V Others .. .. .. | 1,44 | 187.3 | *11.1* | 1,66 | 232.0 | *11.1* | 1,88 | 284.9 | *12.0* |
| VI. Grand Total .. .. .. | 61,14 | 1694.1 | *100.0* | 75,81 | 2083.2 | *100.0* | 87,23 | 2370.1 | *100.0* |

**Pattern of Bank Advances**

17. The purpose-wise distribution of bank advances as at the end of March 1964 reveals a further accentuation of the rising trend of industrial advances which went up by Rs. 183 crores to Rs. 1,104 crores, accounting for 72 per cent of the total increase in bank advances during the year (Table 11). As a result, the share of industry in total bank advances moved up from 57.2 per cent to 59.2 per cent. Commercial advances and personal advances increased in absolute terms, but their shares in the total dropped and the number of personal accounts continued to decline. Industry-wise, engineering units claimed for the first time, the largest share in the total advances (12.9 per cent) replacing the cotton textiles industry (12.1 per cent) as the biggest industrial borrower group. The advances outstanding in respect of engineering and cotton textile industries at the end of March 1964 amounted to Rs. 239.2 and Rs. 225.9 crores, respectively, and together formed 42 per cent of the outstanding industrial advances.

TABLE 11—ADVANCES OF SCHEDULED BANKS ACCORDING TO PURPOSE, 1961, 1963 AND 1964

(Rs. crores)

| | April 28, 1961 | | | March 31, 1963 | | | March 31, 1964 | | |
|---|---|---|---|---|---|---|---|---|---|
| Number of Reporting Banks | 85 | | | 77 | | | 75 | | |
| | Number of Accounts | Amount | *Percentage* | Number of Accounts | Amount | *Percentage* | Number of Accounts | Amount | *Percentage* |
| I. Industry | 34,933 | 667.79 | *52.7* | 43,880 | 921.24 | *57.2* | 53,859 | 1104.40 | *59.2* |
| II. Commerce | 1,74,013 | 408.44 | *31.3* | 1,75,489 | 443.95 | *27.6* | 1,97,366 | 486.83 | *26.1* |
| III. Financial | 18,887 | 67.06 | *5.1* | 18,225 | 84.08 | *5.2* | 16,365 | 99.19 | *5.3* |
| IV. Agriculture | 75,371 | 5.48 | *0.4* | 50,194 | 4.09 | *0.3* | 1,20,870 | 8.69 | *0.4* |
| V. Personal | 7,01,345 | 87.90 | *6.7* | 6,33,830 | 99.22 | *6.1* | 5,95,742 | 101.77 | *5.5* |
| VI. Professional | 15,252 | 11.04 | *0.8* | 48,996 | 12.46 | *0.8* | 17,919 | 12.23 | *0.7* |
| VII. All Others | 58,131 | 38.46 | *2.9* | 58,227 | 45.66 | *2.8* | 51,408 | 51.65 | *2.8* |
| Total | 10,77,932 | 1306.18 | *100.0* | 10,28,841 | 1610.70 | *100.0* | 10,53,529 | 1864.75 | *100.0* |

**Distribution of Investments of Banks**

18. A notable feature of the investment portfolio of banks in recent years (Table 12) is the progressive decline in the share of Government securities in the total investments and a corresponding rise in the share of other domestic investments (comprising mainly other trustee securities, shares and debentures of joint stock companies, fixed deposits and real estate). The former has dropped from 86.0 per cent at the end of March 1961 to 80.9 per cent at the end of March 1964 while the latter increased from 10.1 per cent to 16.2 per cent. Over the year the proportion of investments in Government securities declined from 83.4 per cent to 80.9 per cent, while that of other domestic investments rose from 13.5 per cent to 16.2 per cent. The rise of Rs. 32 crores in other domestic investments was mostly due to the increase of Rs. 29 crores in investments in other trustee securities whose proportion to the total investments moved up from 8.6 per cent to 11.3 per cent. Between April, 1961 and March 1964, scheduled banks' investments in other trustee securities more than doubled, which may be attributed to the higher yield on them as compared to Government securities while they are treated on par with the latter for purposes of borrowings from the Reserve Bank and for compliance with the liquidity requirements.

TABLE 12—INVESTMENTS OF SCHEDULED BANKS, 1961-1964

(Rs. crores)

| End of March | 1961 | | 1962 | | 1963 | | 1964 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* |
| I. Investments of Indian Offices in | | | | | | | | |
| (*a*) Indian Government Securities | 580.41 | *86.0* | 624.62 | *85.6* | 626.97 | *83.4* | 669.14 | *80.9* |
| (*b*) Other Domestic Investments | 68.65 | *10.1* | 77.81 | *10.7* | 101.37 | *13.5* | 133.83 | *16.2* |
| (*c*) Foreign Securities | 1.70 | *0.3* | 4.19 | *0.5* | 2.99 | *0.4* | 2.80 | *0.3* |
| Total of I | 650.75 | *96.5* | 706.62 | *96.8* | 731.33 | *97.2* | 805.77 | *97.4* |
| II. Investments of Foreign Offices | 23.59 | *3.5* | 23.06 | *3.2* | 20.83 | *2.8* | 21.27 | *2.6* |
| Total of I & II | 674.34 | *100.0* | 729.68 | *100.0* | 752.16 | *100.0* | 827.04 | *100.0* |

19. *The maturity pattern of investments in* Government securities showed a rise in short and medium-dated securities, Rs. 43 crores and Rs. 25 crores, respectively, between the end of March, 1963 and the end of March, 1964 (Table 13). At the same time investments in long-dated securities declined by Rs. 9 crores and in Treasury bills by Rs. 17 crores. Consequently the share of short-term securities in the total rose from 38.1 per cent to 42.2 per cent and that of medium-dated securities from 44.5 per cent to 45.5 per cent, while the proportion of investments in Treasury Bills and long-dated securities to the total dropped from 5.9 per cent and 11.5 per cent to 2.9 per cent and 9.4 per cent, respectively. In connection with the holdings of Treasury bills, however, it may be mentioned that scheduled banks enlarge them during the slack season and allow them to run out during the busy season. The total holdings increased during the 1964 slack season by Rs. 74 crores as compared to the rise of Rs. 39 crores in the previous slack season.

TABLE 13

MATURITY-WISE INVESTMENTS IN GOVERNMENT SECURITIES OF INDIAN OFFICES OF SCHEDULED BANKS, 1961-1964

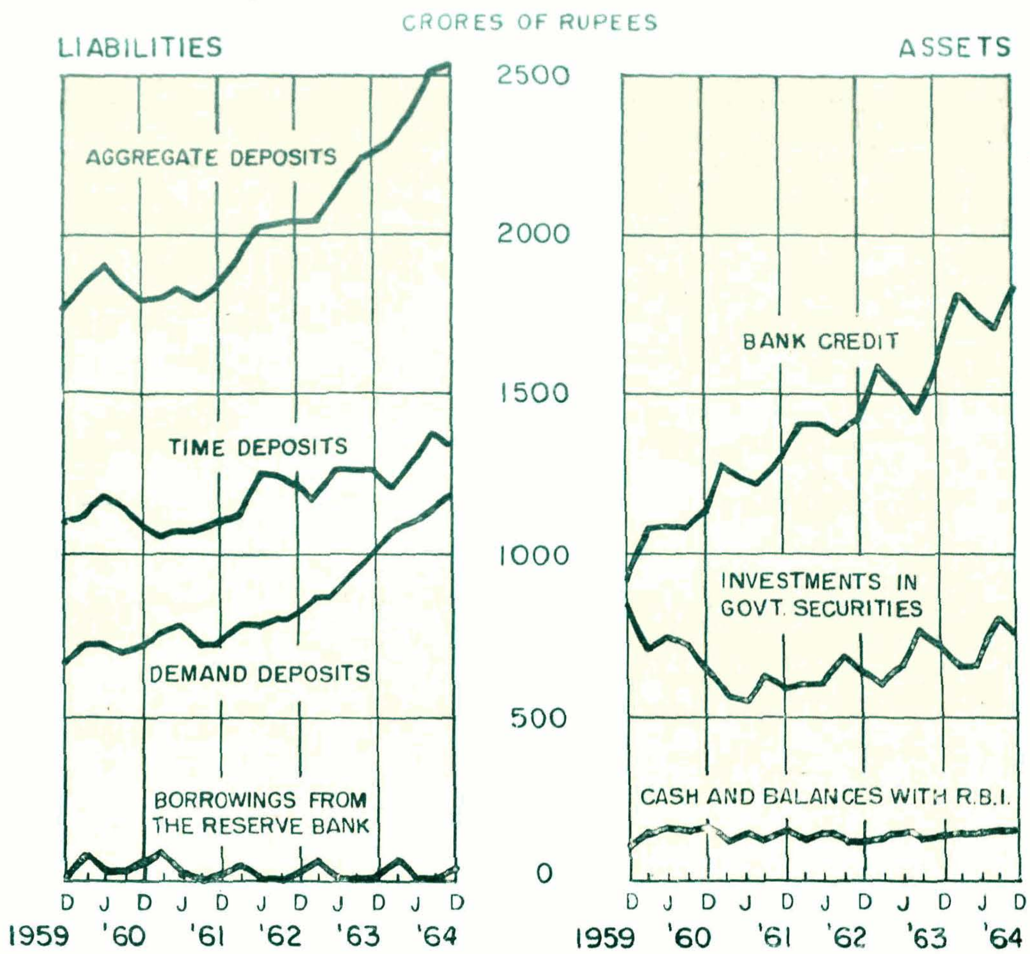
(Rs. Crores)

| End of March | 1961 | | 1962 | | 1963 | | 1964 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* | Amount | *Percentage* |
| I. Treasury bills .. .. .. | 28.15 | *4.9* | 71.19 | *11.3* | 36.09 | *5.9* | 19.37 | *2.9* |
| II. Securities Maturing* | | | | | | | | |
| 1. Within 5 years .. .. | 256.78 | *44.2* | 229.06 | *36.6* | 239.22 | *38.1* | 282.72 | *42.2* |
| 2. Between 5 & 10 years .. | 213.53 | *36.8* | 242.39 | *38.8* | 279.13 | *44.5* | 304.58 | *45.5* |
| 3. Between 10 & 15 years .. | 62.77 | *10.8* | 62.25 | *10.0* | 51.23 | *8.2* | 40.96 | *6.1* |
| 4. After 15 years .. .. | 19.18 | *3.3* | 19.73 | *3.3* | 20.70 | *3.3* | 21.51 | *3.3* |
| Total of I & II .. .. | 580.41 | *100.0* | 624.62 | *100.0* | 626.97 | *100.0* | 669.14 | *100.0* |

* Amounts represent face values.

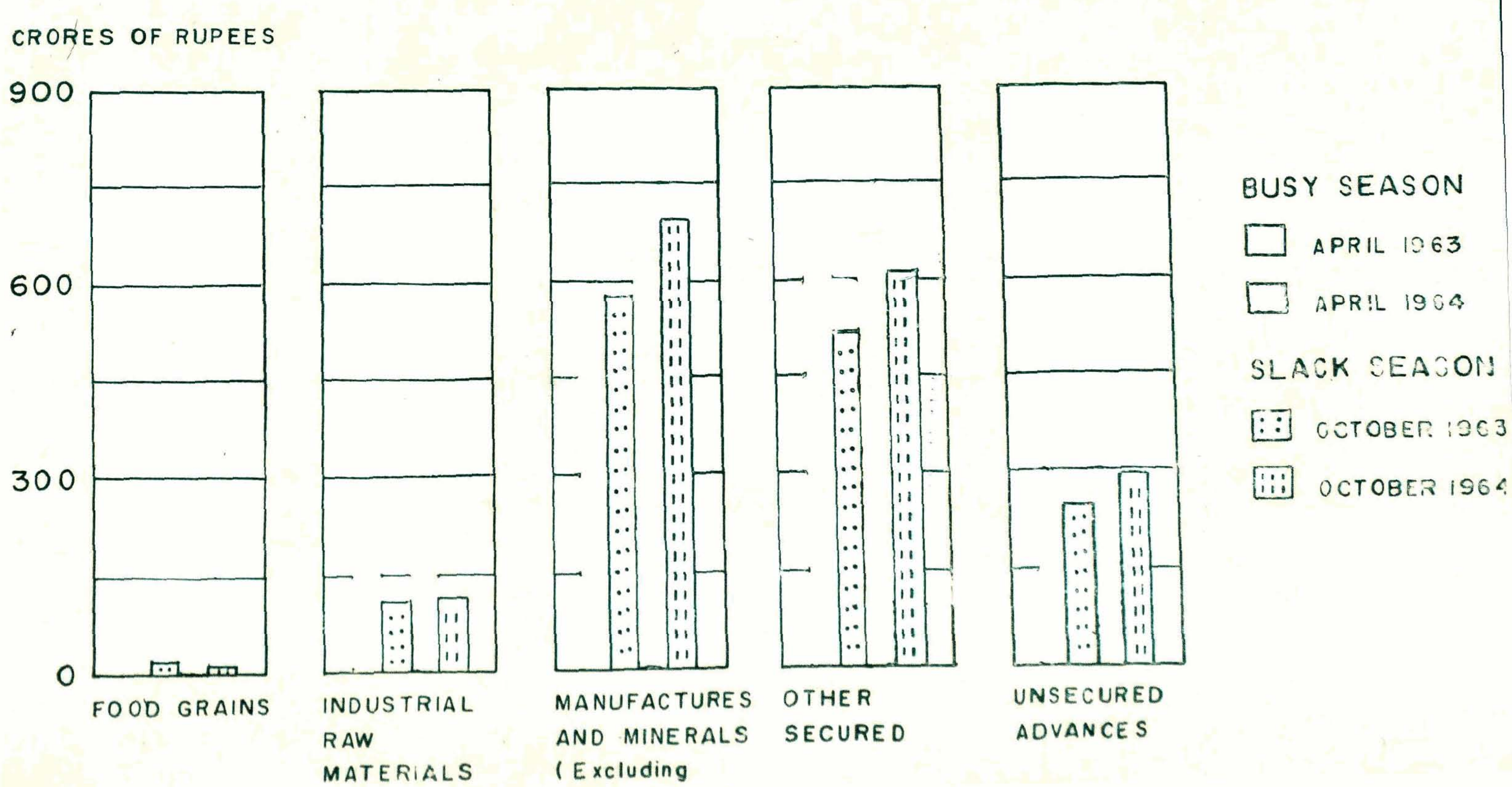
**Bank Profits**

20. Operating results for the year 1964 released by 30 banks (which include all the bigger banks) indicate a marked increase in their earnings and profits after tax. Their total earnings rose by Rs. 23 crores to Rs. 141 crores, while expenses rose by Rs. 22 crores to Rs. 128 crores. In the result, the net profits amounted to Rs. 13 crores, or Rs. 1.4 crores higher than in 1963. The rise in lending rates of banks following the increase in the Bank rate from $4\frac{1}{2}$ to 5 per cent in September 1964, and the substantially higher average level of bank credit during the year were responsible for the improvement in earnings. Both the main heads of expenditure, namely, interest paid on borrowings and deposits, and establishment expenses, recorded a sharp increase ; the former rose by Rs. 10 crores and the latter by Rs. 9 crores. The interest charges on deposits increased because the rates paid on term deposits were revised upwards and there was a substantial increase in time deposits. Interest payments on borrowings reflected the higher rates charged on Reserve Bank accommodation. A part of the rise in establishment charges issued from the increase in emoluments granted to the staff with effect from August 1964.

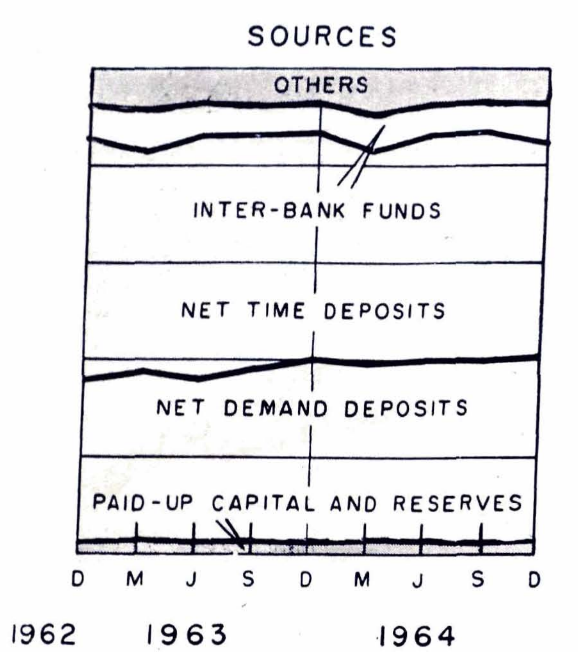


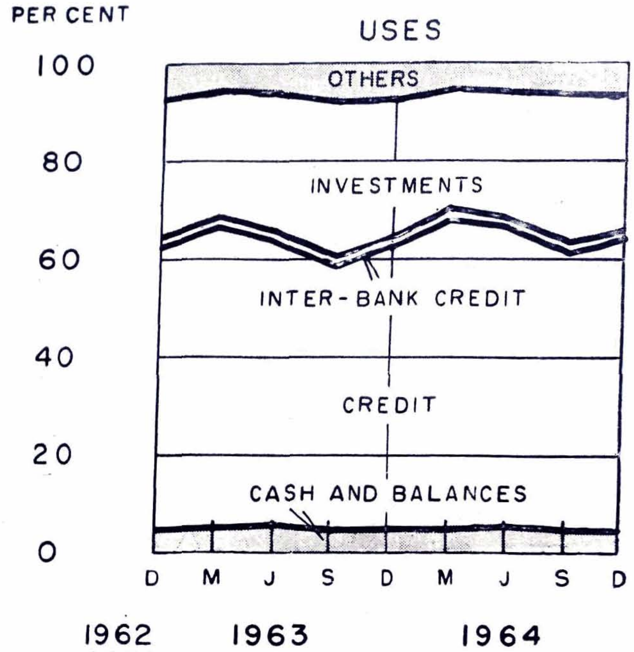

PRINCIPAL LIABILITIES AND ASSETS OF SCHEDULED BANKS

SECURITY-WISE PATTERN OF ADVANCES OF SCHEDULED BANKS

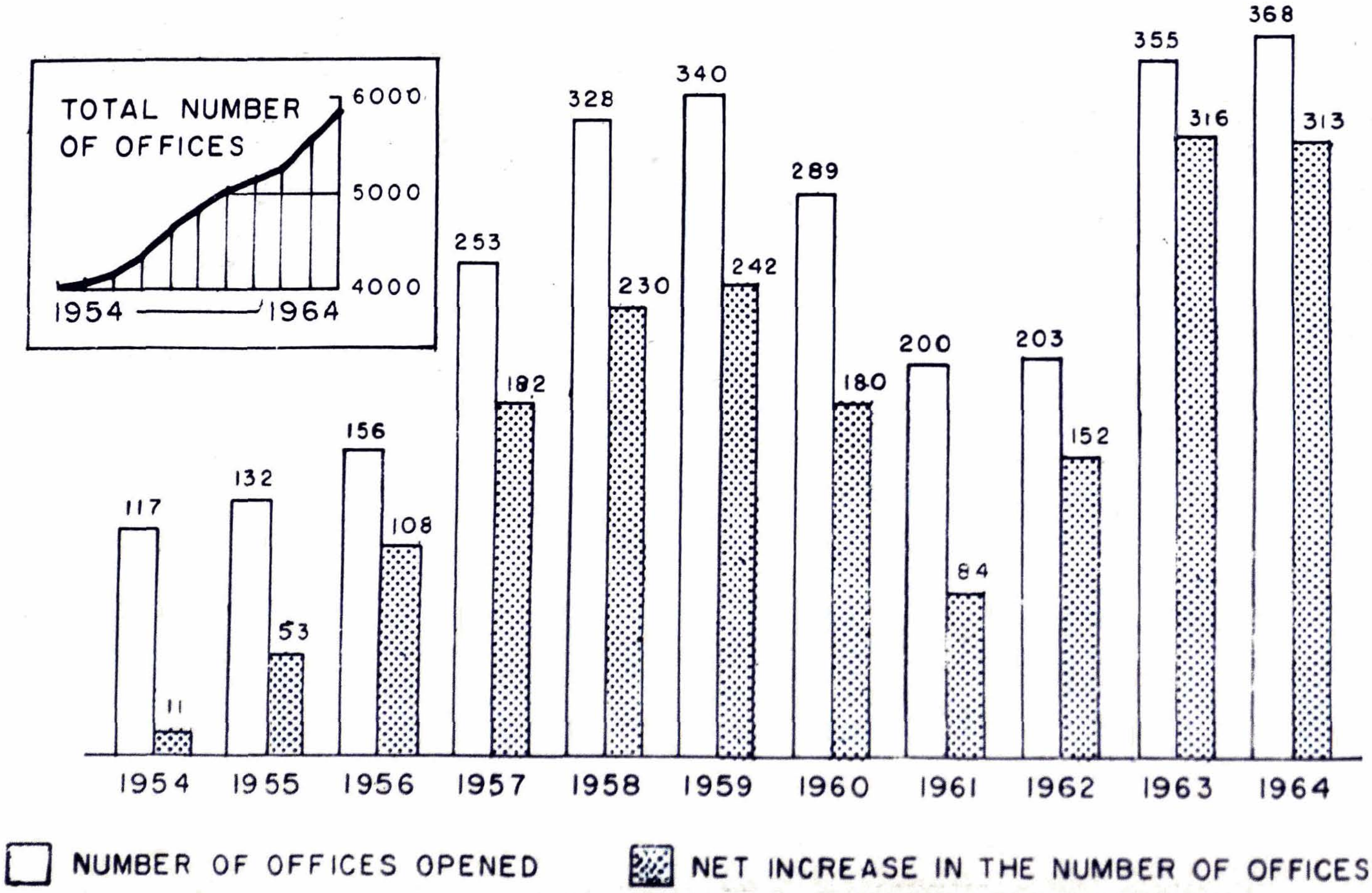


## SOURCES AND USES OF FUNDS — SCHEDULED BANKS




## GROWTH OF BANKING OFFICES: 1954-1964



## CHAPTER II

# BANKING LEGISLATION AND ORGANIZATION

21. The institutionalisation of savings and credit is an essential aspect of development ; the progress achieved in this field is a function of the spread of the banking habit, the basic prerequisites for which are the confidence of the depositing public in the banks as repositories of its savings, and a wide territorial and sectoral coverage by the banking system. For the last several years the Reserve Bank has been taking a number of steps to strengthen the banking system through the reconstruction of weaker units, and through the exercise of more effective control and supervision over the working of banks to ensure soundness of operations. This is a continuing process and this Chapter reviews the progress made in this direction in 1964. The year was notable also for the steps taken to align the operations of co-operative banks and non-bank deposit-receiving institutions to the requirements of integrated monetary control.

**Banking Legislation**

22. A reference was made in the previous Report to the enactment of the Banking Laws (Miscellaneous Provisions) Act, 1963, amending the Banking Companies Act, 1949, the Reserve Bank of India Act, 1934 and the State Bank of India (Subsidiary Banks) Act, 1959. The amending Act not only provided for stricter control over the commercial banks, but also brought non-banking institutions accepting deposits from the public and those transacting business allied to banking under the purview of the Reserve Bank of India. In exercise of the powers conferred by the Act, the Bank called on non-banking companies and financial institutions on May 14, 1964 to furnish information relating to or concerned with the receipt of deposits from the public. Non-banking financial institutions were also asked to supply information on the details of their business. The institutions are required to furnish the data as on March 31 and September 30 every year, beginning from 1962. The data would assist the Bank in the formulation of policies for the regulation of the activities of these institutions so that they could be dovetailed into general monetary policy.

23. Banking units in the co-operative sector have made significant progress in recent years. Total liabilities of primary non-agricultural credit societies and the total credit made available by them worked out to 8.4 and 9.5 per cent of scheduled bank liabilities and credit, respectively, as on June 30, 1963. These figures, however, conceal the prominent role played by co-operative banks in financing certain sensitive sectors of the economy, especially when advances by scheduled banks to these sectors are subject to the various selective credit regulations in force. The Reserve Bank control over the banking system and the effectiveness of its credit and other policies cannot be adequate in the absence of a coverage of such an important sector. The Banking Laws (Application to Co-operative Societies) Bill, 1964 was, therefore, introduced in the *Lok Sabha,* with a view to extending certain provisions of the Reserve Bank of India Act, 1934 and the Banking Companies Act, 1949 to the State co-operative banks, the central co-operative banks and the more important primary non-agricultural co-operative banks. A primary co-operative bank covered by the Bill is a non-agricultural credit society which mainly does banking business, has paid-up share capital and reserves amounting to Rs. 1 lakh or above, and the bye-laws of which do not permit admission of any other co-operative society as a member; primary non-agricultural credit societies which are thus left out have relatively insignificant working funds and turnover. Agricultural credit societies and land mortgage banks have also been excluded from the scope of the various provisions of the Bill. The more important of the provisions of the Banking Companies Act, 1949 that are sought to be extended to co-operative banks relate to the maintenance of cash reserves and liquid assets, inspection of books of account, licences for the commencement or carrying on of banking business and for opening new offices (except temporary offices or offices to be opened by a central co-operative bank within the area of its operations), grant of loans and advances, and preparation of balance sheet and profit and loss accounts. For purposes of the Reserve Bank's control and regulation, the Bill proposes that the State

co-operative banks be treated on par with scheduled banks and central and primary co-operative banks with non-scheduled banks. The important amendment proposed in the Reserve Bank of India Act, 1934 relates to the availability of Reserve Bank accommodation to central and primary co-operative banks in the event of an emergency. The Bill, however, does not affect the powers regarding incorporation, management and winding-up of co-operative banks vested in the State Governments.

24. It is the intention of the Bank also to extend as early as possible insurance coverage to deposits of co-operative banks on the same basis on which deposits of commercial banks receive insurance protection from the Deposit Insurance Corporation. Appropriate amendments to certain provisions of the Co-operative Societies Acts of the various States are, however, required to bring this about, and the Bank hopes to amend the Deposit Insurance Corporation Act, 1961 for the purpose, as soon as State Governments indicate their willingness to make changes in their co-operative laws.

**Bank Mergers**

25. The process of strengthening the banking structure through transfers of assets and liabilities, voluntary amalgamations and compulsory mergers was accelerated considerably during the year (Table 14). The number of units absorbed in this manner was more than three and a half times the number in 1963. Powers to secure compulsory mergers of banking companies were conferred on the Reserve Bank in 1960. In the four years 1961-1964, 148 banks have been merged with other banks. The total number of banks operating in the country at the end of 1964 was 156. †

26. Transfers of agreed liabilities and assets was the most common method followed during 1964 to promote consolidation of the banking system. Sixty-two banks (45 in Kerala State, 12 in Madras State and 5 in Mysore State) transferred their liabilities and assets to other banks under Section 293(i) (*a*) of the Companies Act, 1956 ; there were 15 such cases in 1963. Besides, seven banks were amalgamated under Section 44A of the Banking Companies Act, 1949 in 1964, as compared to 2 banks in 1963.

27. In addition, the State Bank of Travancore took over the business of the Champakulam Catholic Bank Ltd., on October 1, 1964 under Section 38 of the State Bank of India (Subsidiary Banks) Act, 1959. The Central Government also approved during the year the amalgamation of the Bank of Alwaye Ltd., with the State Bank of Travancore, which took effect on February 1, 1965.

28. Under Section 45 of the Banking Companies Act, 1949, nine banks were merged with larger institutions in 1964. On the advice of

TABLE 14—BANK MERGERS, AMALGAMATIONS AND TRANSFERS OF ASSETS AND LIABILITIES

| Year | Voluntary Amalgamations under Section 44A of the Banking Companies Act, 1949 | Compulsory Mergers under Section 45 of the Banking Companies Act, 1949 | Other Mergers* | Transfer of Assets and Liabilities under Section 293(i) (*a*) of the Companies Act, 1956 | Total |
|---|---|---|---|---|---|
| 1960 .. .. .. | 2 | — | — | 5 | 7 |
| 1961 .. .. .. | 1 | 30 | 2 | 3 | 36 |
| 1962 .. .. .. | 3 | 1 | 2 | 5 | 11 |
| 1963 .. .. .. | 2 | 1 | 4 | 15 | 22 |
| 1964 .. .. .. | 7 | 9 | 1 | 62 | 79 |
| Total .. .. | 15 | 41 | 9 | 90 | 155 |

* Comprising banks taken over by the State Bank of India and its subsidiaries.

† Excluding one bank which had paid off its deposits before the end of 1964, and the licence to which was refused on January 27, 1965 when its registration as an insured bank under the Deposit Insurance Act, 1961 was cancelled.

the Bank, eight banks were granted moratoria during the year, bringing the total number of such banks during the years 1960 to 1964 to 50. Of these 50 banks, 41 were amalgamated with other banks, three were ordered to be wound up, one was allowed to go into voluntary liquidation, one was allowed to amalgamate voluntarily with another bank, and one was dissolved under a scheme of arrangement sanctioned by the Court. As regards the three remaining banks, the Central Government allowed moratoria to lapse in the case of two on the guarantee of their directors, while one bank was refused a licence to carry on banking business under Section 22 of the Banking Companies Act, 1949 simultaneously with the moratorium being allowed to lapse.

29. Depositors of 23 banks, out of the 41 banks amalgamated with other banks, were given full credit in the books of transferee banks on the relative dates of amalgamation for the entire amount of their deposits. Depositors of 10 other banks received credits in proportion to the readily realisable assets, in addition to the preferential payment to each depositor of the amount standing to his credit, or Rs. 250, whichever was less. As regards the remaining 8 banks, which were merged with other banks after the establishment of the Deposit Insurance Corporation, the depositors received credits *pro rata* to the readily realizable assets, and where the amount of such *pro rata* credit was short of Rs. 1,500 or the balance in the depositor's account, whichever was less, the difference was made good by the Deposit Insurance Corporation.

**Liquidation of Banks**

30. During the year, no bank was ordered to be wound up by the Courts, but twelve non-scheduled banks went into voluntary liquidation after obtaining a certificate from the Reserve Bank of India under Section 44(1) of the Banking Companies Act, 1949. The Bank scrutinized returns submitted by the liquidators of 158 banks under Section 45R of the Banking Companies Act, 1949 with a view to ensuring that legal requirements were complied with and that the liquidation proceedings were not unduly delayed.

**Licensing of Banks**

31. During the year, a licence under Section 22 of the Banking Companies Act, 1949 was granted to one non-scheduled bank, while the licences granted to one scheduled bank and three non-scheduled banks were cancelled.* One scheduled bank and 61 non-scheduled banks were also refused licences ; since the commencement of the Banking Companies Act, 1949, 209 banks have been refused licences. At the end of 1964, the number of licensed banks was 73† and applications of 75 banks for the grant of licences were under consideration.

**Bank Inspections**

32. Under Section 35 of the Banking Companies Act, 1949, the Reserve Bank inspected 45 scheduled banks and 72 non-scheduled banks during the year. Thirty-seven banks were called upon to submit their representations, if any, in regard to the directions proposed to be issued to them by the Bank, while nine banks were asked to send their representations regarding the proposals to refuse licences to them.

**Deposit Insurance**

33. The number of insured banks declined from 250 at the end of 1963 to 157 at the end of 1964, mainly as a result of voluntary amalgamations and transfers of deposit liabilities and equivalent assets to other banks. As on the last Friday of September 1964—the latest date for which data are available—, the total number of deposit accounts with insured banks was 98.37 lakhs, of which 76.26 lakhs of accounts, having balances not exceeding Rs. 1,500/- in each case, were fully insured by the Corporation. The Corporation's liability in respect of insured deposits under Section 16 of the Deposit Insurance Corporation Act, 1961 arose in the case of six banks during the year, following their amalgamation with other banks under Section 45 of the Banking Companies Act, 1949. Claims in respect of five of the banks were met during the year and those in respect of the remaining bank were paid soon after the close of the year. *Pro rata* repayments were received by the Corporation in respect of the claims paid by it earlier in the case of three banks, namely,

* The scheduled bank was merged with another scheduled bank; one non-scheduled bank went into voluntary liquidation and two were merged with other banks.

† There are 8 banks which do not require licences, having been incorporated under separate Acts.

the Bank of China, the Unity Bank and the Bank of Alagapuri.

**Branch Expansion**

34. During the year, the Reserve Bank granted permission to commercial banks to open 380 offices at banked centres and 146 offices at unbanked centres. The number of offices actually opened was 236 at banked centres† and 136 at unbanked centres, as compared to 231 and 124, respectively, in 1963. Of the new offices opened in 1964, the State Bank of India and its subsidiaries accounted for 55 offices at banked centres and 49 offices at unbanked centres, as compared to 57 and 64 offices, respectively, in 1963. Scheduled banks opened 362 offices in 1964 as compared to 346 in 1963. Allowing for the changes in the number of offices due to amalgamations, mergers, transfers of assets and liabilities, closure of offices, etc., the number of scheduled banks' offices increased by a record figure of 476 in 1964, while non-scheduled banks' offices declined by 161 in 1964 (Table 15). At the end of 1964, the total number of offices of scheduled and non-scheduled banks stood at 5,478 and 412 respectively.

**Branch Expansion of State Bank of India and its Subsidiaries**

35. The branch expansion policy of the Bank was reviewed in detail in the last Report. The main objective of the policy continues to be the phased expansion of branches by banks in India along with the provision of banking facilities to semi-urban and rural areas. The State Bank of India and its subsidiaries have their own branch expansion programmes framed in consultation with the Bank. In the first phase of its branch expansion programme covering the five years, July 1955-June 1960, the State Bank opened 416 branches. Its second programme drawn up for the period, July 1960-June 1965, which covered both the State Bank and its subsidiaries, provided for the opening of 145 branches by the State Bank and 155 branches by the subsidiaries, the latter being subsequently raised to 207. In 1964, the State Bank and its subsidiaries opened 30 and 47 branches, respectively, under

TABLE 15—VARIATIONS IN THE NUMBER OF OFFICES OF SCHEDULED AND NON-SCHEDULED BANKS IN 1963 AND 1964

| | Scheduled Banks | | Non-Scheduled Banks | | All Banks | |
|---|---|---|---|---|---|---|
| | 1963 | 1964 | 1963 | 1964 | **1963** | **1964** |
| 1. New Offices opened .. .. | + 346 (+67)* | + 362 (+71)* | + 9 | + 6 | **+ 355** | **+ 368** |
| 2. Changes due to amalgamations, mergers, transfers of assets and liabilities and inclusions in and exclusions from the Second Schedule to the Reserve Bank of India Act, 1934 .. .. | + 68 (+2)‡ | + 133 (—) | — 68 | — 133 | — | — |
| 3. Existing offices closed .. .. | — 16 (—1) | — 19 (—4) | — 23 | — 34 | **— 39** | **— 53** |
| 4. Overall variation in the number of offices | **+ 398** (+68) | **+ 476** (+67) | **— 82** | **— 161** | **+ 316** | **+ 315** |

*Notes :* (1) Data exclude administrative, seasonal, temporary, mobile and non-banking offices in the case of scheduled banks. In the case of non-scheduled banks, offices of non-operating banks and of banks which have been refused licence but have not been deleted from the list of banking companies have been included. (2) Figures for 1963 have been revised and those for 1964 are provisional. (3) Figures in brackets relate to the State Bank of India.

* This includes not only branches, but also sub-offices, pay offices and sub-pay offices newly opened during the year.

‡ These offices were taken over by the State Bank of India from the Bank of Aundh Ltd.

† Inclusive of 4 mobile offices.

this programme bringing the total number of branches opened under it to 100 and 174, respectively. The subsidiary banks selected 54 additional centres outside the expansion programme and opened branches at 48 of them by December 31, 1964. Simultaneously, the State Bank initiated another programme for five years from January 1, 1964, to open 319 branches at treasury and sub-treasury centres which do not possess banking facilities. During the year, 9 branches were opened under this programme. The State Bank also opened 11 branches in metropolitan cities and big towns in 1964 outside its branch expansion programmes. As a result, the total number of offices of the State Bank and its subsidiaries stood at 1,140 and 612, respectively, at the end of December 1964, as compared to 1,069 and 568 respectively, a year ago.

**Branch Expansion of Other Banks**

36. Other banks were requested by the Reserve Bank in July 1962 to draw up branch expansion programmes for the three years from August 1, 1962 to July 31, 1965 and seek its approval for them. Accordingly, 59 banks submitted their programmes. Upto the end of 1964, licences were issued for opening 487 new offices of which a minimum of 184 are to be opened in unbanked centres. Under these licences, 403 new offices were opened, 161 of them at unbanked centres. The Bank has also approved additional proposals to open 136 offices, 58 of which are to be in unbanked centres ; the licences in respect of these would be issued when the banks decided to open the offices.

**Clearing Houses**

37. The establishment of clearing houses in new centres is part of the larger programme of extension of banking facilities in the country. In December 1960, the Reserve Bank suggested the establishment of clearing houses at all centres with a population of 1 lakh and over ; on the basis of the 1961 Census, there were 107 such centres. With the establishment of clearing houses at three new centres in 1964, the total number of clearing houses functioning in the country rose to 79 at the end of the year. Seven of the clearing houses are managed by the Reserve Bank, 59 by the State Bank 12 by the subsidiaries of the State Bank, and one by a commercial bank. Scheduled banks are members and non-scheduled banks are sub-members of the clearing houses at all centres; in addition, the Post Office Savings Bank has been enrolled as a sub-member at the seven clearing houses managed by the Reserve Bank and 40 houses managed by the State Bank and its subsidiaries.

**Indian Banks' Business Abroad**

38. The number of banks having offices abroad dropped from 22 to 21 during the year consequent on the closure by a scheduled bank of its office in Pakistan, and the total number of offices abroad declined from 96 to 95. Country-wise, Pakistan with 42 offices continued to have the largest number of offices of Indian banks, followed by Malaysia with 16 offices. The volume of foreign business of Indian banks continued to rise, their total liabilities going up by 10 per cent from Rs. 144 crores at the end of 1963 to Rs. 159 crores at the end of 1964. While the business recorded a rise in Aden, East Africa, Ceylon, Hong Kong, Japan, Malaysia, the U.K., Fiji Islands, Nigeria and Mauritius, it declined in Pakistan and Thailand. Of the increase in liabilities of Rs. 15 crores, deposits accounted for Rs. 12 crores and branch adjustments for Rs. 2 crores. Total deposits stood at Rs. 108 crores at the end of 1964, as compared to Rs. 96 crores at the end of 1963 and Rs. 92 crores at the end of 1962. Deposits went down in Ceylon, Malaysia, Pakistan and Thailand, and rose in other countries. Loans and advances moved up by Rs. 5 crores to Rs. 49 crores, bills purchased and discounted by Rs. 3 crores, money at call and short notice by Rs. 2 crores and investments by Rs. 1.5 crores. Liquid assets* increased by Rs. 6 crores to Rs. 46 crores, but their ratio to deposits remained at the end of 1964 at the level of 42 per cent recorded a year ago.

* Comprising cash in hand, balances with Central Banks, current account balances with other banks, money at call and short notice, and bills purchased and discounted.

industrial units, it was also decided to extend refinance to the extent of 80 per cent of the loans offered for refinance by financial institutions, instead of the entire amount of the loans as was done earlier.

45. As regards the assistance provided under the refinance scheme, of the Refinance Corporation of India till September, 1964 and of the Industrial Development Bank of India thereafter, a sum of Rs. 22.66 crores was sanctioned during 1964 to all eligible institutions in respect of 135 applications as against Rs. 23.99 crores in respect of 170 applications in 1963. But, the total amount of Rs. 21.34 crores disbursed during the year was 62 per cent higher than the disbursement of Rs. 13.17 crores in 1963. At the end of 1964, the outstanding amount of refinance was Rs. 42.16 crores as against Rs. 24.63 crores a year earlier. Refinance sanctioned and disbursed to eligible commercial banks in 1964 amounted to Rs. 17.03 crores and Rs. 18.02 crores, respectively, forming 75 per cent and 84.2 per cent of the totals. At the end of 1964, the outstanding amount of refinance given to commercial banks was Rs. 34.46 crores.

**The Unit Trust of India**

46. Facilities in respect of medium and long-term finance for industry were further augmented during the year by the setting up on February 1, 1964 of the Unit Trust of India. The Reserve Bank has contributed half of the initial capital of Rs. 5 crores ; the State Bank of India and its subsidiaries have contributed Rs. 75 lakhs and 30 other scheduled banks Rs. 66 lakhs. By affording the relatively small investors a means of acquiring a share in the country's industry, which combines the advantages of a minimum risk and a reasonable return, the Trust may be expected to tap a significant volume of savings which may not have otherwise sought employment in industrial investment. The sale of Trust units commenced on July 1, 1964 and upto the end of the year units of the aggregate amount of Rs. 18.4 crores were sold, the bulk to individuals. Over 4,000 offices of 38 scheduled banks, who have contributed to the initial capital of the Trust, act as agents of the Trust for receiving applications and monies for the purchase of the units. Of the total resources of Rs. 24 crores at the end of 1964, the Trust invested Rs. 7.98 crores in ordinary shares of corporate enterprises, Rs. 1.50 crores in preference shares and Rs. 3.92 crores in debentures, besides making an advance payment of Rs. 5.25 crores for purchase of debentures underwritten by the Trust. The Trust buys debentures in the market, in addition to taking them up at the time of the issue; this may help banks in reducing their existing holdings of debentures, thereby releasing additional funds for expanding their industrial advances, the demand for which is rising with the tempo of industrial activity in the country.

**Credit Information**

47. The Reserve Bank of India maintains a credit information division which receives quarterly statements from banks and other notified financial institutions in respect of credit facilities allowed by them to individual customers and furnishes the information in a consolidated form to banks and other notified financial institutions which apply for it. During the year, the credit institutions drew on this pool of information to a larger extent than in the previous year, the number of requests met being 2,710 in 1964 as compared to 1,542 in 1963.

**Bankers' Training College**

48. With the rapid increase in bank offices and in banking business in recent years, the industry's demand for trained personnel has been rising fast. As an important contribution towards meeting this need, the Bank set up the Bankers' Training College in Bombay in 1954. The College conducts senior and intermediate courses of training, as well as courses in foreign exchange and industrial finance, for the supervisory staff of commercial banks. In 1964, the College organised 3 senior courses, 4 intermediate courses, and one course each in foreign exchange and industrial finance. The total number of bank officials who received training in the College in 1964 was 280. Since its inception in 1954, the College has imparted training to 1,843 officials of commercial banks. During the year, the College broke new ground by instituting a special course on "Staff Management in Banks." The object of the course is to make senior bank officials familiar with the concepts of management and human relations so as to enable them to conduct personnel relations on scientific lines. In the first course held in August 1964, 28 senior officials from

23 banks participated. The College will conduct this course regularly in future and the second course will be held in May-June 1965.

49. The Bank has been advising commercial banks themselves to provide suitable training arrangements for their own staffs. There are about 14 training institutions set up by bigger banks with the Bank's encouragement; and these have drawn upon the experience of the Bankers' Training College in framing their syllabi and devising teaching techniques. The Bank oversees the activities of these institutions to ensure co-ordination and to avoid duplication. The aim of the Bank is to supplement the efforts of commercial banks in this field.

50. The Bank also organised in January 1965 at Bombay a two-day seminar on personnel and organizational problems for the top executives of medium-sized and bigger banks in collaboration with the Indian Institute of Management, Calcutta. This carried a stage further the organization of similar seminars in 1963 at Madras for the chief executives of small and medium-sized banks on banking procedures and techniques.

**Extension of Bank Awards**

51. The Award of the National Industrial Tribunal (Bank Disputes) relating to the scales of pay and allowances and other service conditions of employees of certain commercial banks, which was due to expire on July 30, 1963, was extended by the Government of India in the first instance for one year till July 30, 1964 and subsequently for another year upto July 30, 1965. The period of operation of the Award of the National Industrial Tribunal (Bank Disputes) relating to bonus payable to workmen in certain commercial banks was extended by the Government for a further period of one year upto September 19, 1964. During the year, the Bonus Commission appointed by the Government to recommend on the question of bonus payments in industry and trade, including banking, submitted its report. The recommendations of the Commission, as modified by the Government, regarding the computation and manner of payment of the bonus amounts are expected to be embodied in an enactment.

52. The Award of the National Industrial Tribunal (Bank Disputes) governing the scales of pay and allowances and other service conditions of employees of the Reserve Bank of India which came into force from October 30, 1962 was due to expire on October 29, 1963. The period of its operation was extended by the Government of India in the first instance by one year and subsequently by another year, *i.e.*, upto October 29, 1965.

## APPENDIX I

### PARTICULARS IN RESPECT OF BANKS GRANTED MORATORIUM DURING 1964 UNDER SECTION 45 OF THE BANKING COMPANIES ACT, 1949

| | Name of the bank | No. of offices | Name of the transferee bank | Date on which scheme of amalgamation came into force |
|---|---|---|---|---|
| (i) | Latin Christian Bank Ltd., Ernakulam | 4 | State Bank of Travancore, Trivandrum | 17-8-1964 |
| (ii) | Salem Sri Kannikaparameswari Bank Ltd., Salem | 4 | Karur Vysya Bank Ltd., Karur | 1- 6-1964 |
| (iii) | Unao Commercial Bank Ltd., Unnao | 2 | Bareilly Corporation (Bank) Ltd. Bareilly | 12- 8-1964 |
| (iv) | Southern Bank Ltd., Calcutta | 6‡ | United Industrial Bank Ltd., Calcutta | 24- 8-1964 |
| (v) | Commercial Bank Ltd.* Kottayam | 1 | — | — |
| (vi) | Shree Jadeya Shankarling Bank Ltd., Bijapur | 1 | Belgaum Bank Ltd., Belgaum | 26-10-1964 |
| (vii) | Thiyya Bank Ltd., Kottapuram, Cranganore | 5 | Lord Krishna Bank Ltd., Kottapuram, Cranganore | 16-11-1964 |
| (viii) | Bareilly Bank Ltd., Bareilly | 7 | Benares State Bank Ltd., Ramnagar | 16-11-1964 |

* The Moratorium was allowed to lapse on its expiry and simultaneously the bank was refused licence under section 22 of the Banking Companies Act, 1949.

‡ Including one in Pakistan which has been ordered to be wound up by the Court.

## APPENDIX II

### PARTICULARS REGARDING LICENSING OF OFFICES OF BANKS

**1. Statement showing the position in regard to licensing in terms of Section 23 of the Banking Companies Act, 1949**

| No. of places in respect of which applications were received during 1964 and those pending at the end of 1963 | No. of places in respect of which licences were granted/ refused for opening new offices | | For opening temporary/ seasonal offices | | For changing the location of existing offices | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Granted | Rejected | Granted | Rejected | Granted | Rejected | Granted | Rejected |
| 2136@ | 534* | 22 | 32 | — | 3 | 4 | 569 | 26 |
| (7) | (3) | (1) | | | | | (3) | (1) |

*Note:*—Figures in brackets indicate the number of offices outside India and are included in the main figures.

@ Applications in respect of 149 offices were proposed to be allowed, 1379 applications were held in abeyance and 13 (including 5 for taking over the existing offices of other banks and 3 for opening offices outside India) were pending as on the 31st December, 1964.

* Includes 139 licences issued to banks in order to enable them to take over the existing offices of other banks and 5 conditional licences.

**2. Statement showing the number of offices opened or closed in Foreign countries by Indian Banks during 1964**

| Country | No. of offices opened | No. of offices closed |
|---|---|---|
| Pakistan | — | 1 |

## APPENDIX III

### PARTICULARS IN RESPECT OF AMALGAMATIONS AND TRANSFERS OF ASSETS AND LIABILITIES OF BANKING COMPANIES IN 1964

| Name of the bank | No. of offices | Name of the transferee bank | Date of amalgamation or transfer |
|---|---|---|---|
| **I. List of banks amalgamated under Section 44A of the Banking Companies Act, 1949** | | | |
| 1. Lakshmi Prasad Bank Ltd., Trichur .. | 1 | Dhanalakshmi Bank Ltd., Trichur | 24-4-1964 |
| 2. Prabartak Bank Ltd., Calcutta .. | 3 (one in Pakisan) | United Industrial Bank Ltd., Calcutta | 6-5-1964 |
| 3. Bank of Bankura Ltd., Calcutta .. | 3 | do. | do. |
| 4. Bharatha Lakshmi Bank Ltd., Masulipatnam | 17 | Andhra Bank Ltd., Masulipatnam | 16-5-1964 |
| 5. Sri Ranganathar Bank Ltd., Salem .. | 1 | Sri Venkateswara Bank Ltd., Salem | 9-12-1964 |
| 6. Sree Radhakrishna Bank Ltd., Trichur .. | 1 | Dhanalakshmi Bank Ltd., Trichur | 18-12-1964 |
| 7. Parli Bank (Private) Ltd., Parli .. | 1 | do. | 21-12-1964 |
| **II. List of banks which have transferred their Assets and Liabilities to other banks** | | | |
| 1. Public Bank Ltd., Pudukad .. | 4 | South Indian Bank Ltd., Trichur | 18-1-1964 |
| 2. Coimbatore Vasunthara Bank Ltd., Coimbatore | 4 | Indian Overseas Bank Ltd., Madras | 14-2-1964 |
| 3. Pollachi Union Bank Ltd., Pollachi .. | 1 | Canara Bank Ltd., Mangalore | 5-3-1964 |
| 4. Kulitalai Bank Ltd., Tiruchirapalli .. | 7** | Indian Overseas Bank Ltd., Madras | 23-3-1964 |
| 5. Bhagavathi Vilasam Nayar Bank Ltd., Nayarambalam | 1 | Parur Central Bank Ltd., Parur | 30-3-1964 |
| 6. Shri Guru Govind Specie Bank (Pvt.) Ltd., Bijapur | 1 | Sangli Bank Ltd., Sangli | 9-4-1964 |
| 7. Suburban Bank (Pvt.) Ltd., Trichur .. | 12 | South Indian Bank Ltd., Trichur | 9-5-1964 |
| 8. Tamil Nad Central Bank Ltd., Tiruchirapalli | 4 | Bank of Baroda Ltd., Baroda | 15-5-1964 |
| 9. Vijaya Lakshmi Bank (Pvt.) Ltd., Parur .. | 1* | South Indian Bank Ltd., Trichur | 29-5-1964 |
| 10. Chalakudy Bank Ltd., Chalakudy .. | 1 | do. | 30-5-1964 |
| 11. Oriental Union Bank Ltd., Kaduthuruthy .. | 2 | Syndicate Bank Ltd., Manipal | 15-6-1964 |
| 12. Ollur Bank Ltd., Ollur .. | 1 | Catholic Syrian Bank Ltd., Trichur | 29-6-1964 |
| 13. Salem Gugai Sri Krishna Bank Ltd., Salem | 1 | Lakshmi Vilas Bank Ltd., Karur | 11-7-1964 |
| 14. Kandassankadavu Popular Bank Ltd., Kandassankadavu .. | 1 | Parur Central Bank Ltd., N. Parur | 14-7-1964 |
| 15. Mukkattukara Catholic Bank Ltd., Mukkattukara | 1 | South Indian Bank Ltd., Trichur | 18-7-1964 |
| 16. Chalakudy Public Bank Ltd., Chalakudy .. | 1* | Federal Bank Ltd., Alwaye | 20-7-1964 |
| 17. Catholic Syrian Christian Bank Ltd., Kanjany | 1 | South Indian Bank Ltd., Trichur | 25-7-1964 |
| 18. Assyrian Charities Banking Co., Ltd., Trichur | 1* | South Indian Bank Ltd., Trichur | 1-8-1964 |
| 19. Catholic Oriental Bank Ltd., Aranattukara .. | 2* | do. | 8-8-1964 |
| 20. Cochin Union Bank Ltd., Trichur .. | 1 | Federal Bank Ltd., Alwaye | 14-8-1964 |
| 21. Puthenpeedika Bank Ltd., Puthenpeedika .. | 1 | Catholic Syrian Bank Ltd., Trichur | 20-8-1964 |
| 22. Nadar Mercantile Bank Ltd., Trivandrum ... | 2 | Union Bank of India Ltd., Bombay | 29-8-1964 |

APPENDIX III—*Contd.*

| Name of the bank | No. of offices | Name of the transferee bank | Date of amalgamation or transfer |
|---|---|---|---|
| 23. Vyavasaya Bank Ltd., Peringottukara .. | 1 | Dhanalakshmi Bank Ltd., Trichur | 29-8-1964 |
| 24. Kerala National Bank Ltd., Kottayam .. | 1 | Martandam Commercial Bank Ltd., Trivandrum | 29-8-1964 |
| 25. Dakshina Bharat Bank (Private) Ltd., Ernakulam .. | 4 | Vijaya Bank Ltd., Mangalore | 12-9-1964 |
| 26. Hindu Union Bank Ltd., Kanjany .. | 1 | Dhanalakshmi Bank Ltd., Trichur | 14-9-1964 |
| 27. Catholic Parish Bank Ltd., Kalparamba .. | 1 | do. | 18-9-1964 |
| 28. United Bank of Karnatak Ltd., Bagalkot .. | 1 | Sangli Bank Ltd., Sangli | 21-9-1964 |
| 29. Parameswara Vilasam Banking Co., Ltd., Kodakara .. | 1 | Dhanalakshmi Bank Ltd., Trichur | 28-9-1964 |
| 30. Kotagiri Bank Ltd., Kotagiri .. | 1 | Syndicate Bank Ltd., Manipal | 7-10-1964 |
| 31. Chalapuram Bank Ltd., Chalapuram .. | 8 | Vijaya Bank Ltd., Mangalore | 13-10-1964 |
| 32. Kottapadi Bank (Pvt.) Ltd., Kottapadi .. | 6£ | Catholic Syrian Bank Ltd., Trichur | do |
| 33. Malabar Bank Ltd., Trichur .. | 6£ | South Indian Bank Ltd., Trichur | 31-10-1964 |
| 34. Oriental Christian Bank Ltd., Trichur .. | 1 | Catholic Syrian Bank Ltd., Trichur | do |
| 35. Perumbavur Bank (Pvt.) Ltd., Perumbavur .. | 5 | Union Bank of India Ltd., Bombay | 10-11-1964 |
| 36. Mar Thoma Syrian Bank Ltd., Trichur .. | 3 | Dhanalakshmi Bank Ltd., Trichur | 13-11-1964 |
| 37. Irinjalakuda Bank Ltd., Irinjalakuda .. | 1 | Do. | 20-11-1964 |
| 38. Chittattukara Catholic Bank Ltd., Chittattukara | 1 | Indian Insurance & Banking Corporation Ltd., Trichur. | 21-11-1964 |
| 39. Sri Ranga Raja Bank Ltd., Mettupalaiyam | 1 | Syndicate Bank Ltd., Manipal | 23-11-1964 |
| 40. Kothamangalam Namboodiri Bank Ltd., Quilandy | 1 | Syndicate Bank Ltd., Manipal | 26-11-1964 |
| 41. St. Thomas Bank Ltd., Ollur | 1 | Indian Insurance & Banking Corporation Ltd., Trichur | 28-11-1964 |
| 42. Nayar Union Bank Ltd., Trichur | 1* | Dhanalakshmi Bank Ltd., Trichur | 30-11-1964 |
| 43. South Travancore Bank Ltd., Neyyoor | 1 | Syndicate Bank Ltd., Manipal | 8-12-1964 |
| 44. Asoka Bank Ltd., Shertallay | 2 | Dhanalakshmi Bank Ltd., Trichur | do. |
| 45. Kerala Union Bank Ltd., Mala | 3 | Lord Krishna Bank Ltd., Cranganore | 9-12-1964 |
| 46. Catholic Union Bank Ltd., Mala | 9 | Union Bank of India Ltd., Bombay | 12-12-1964 |
| 47. Irinjalakuda Catholic Bank Ltd., Irinjalakuda | 1 | Bank of Cochin Ltd., Ernakulam | do. |
| 48. Alleppey Bank Ltd., Alleppey | 1 | Federal Bank Ltd., Alwaye | do. |
| 49. Pathinen Grama Arya Vysya Bank Ltd., Kombai | 15@ | Karur Vysya Bank Ltd., Karur | 14-12-1964 |
| 50. Koshuvanal Bank Ltd., Koshuvanal | 1 | South Indian Bank Ltd., Trichur | 18-12-1964 |
| 51. Krupakara Bank Ltd., Coimbatore | 1 | Srinivasaperumal Bank Ltd., Coimbatore. | 19-12-1964 |
| 52. Coimbatore Varthaka Vridhi Bank, Ltd., Coimbatore | 1 | do. | do. |
| 53. Bharatha Union Bank Ltd., Trichur | 1* | South Indian Bank Ltd., Trichur | do. |
| 54. Moolankuzhi Union Bank Ltd., Thoppumpady | 2 | Dhanalakshmi Bank Ltd., Trichur | 25-12-1964 |
| 55. Taliparamba Bank Ltd., Taliparamba | 1 | Vijaya Bank Ltd., Mangalore | 24-12-1964 |

APPENDIX III—*Concld.*

| Name of the bank | No. of offices | Name of the transferee | Date of amalgamation or transfer |
|---|---|---|---|
| 56. Commercial Bank Ltd., Nayarambalam | 1* | Parur Central Bank Ltd., N. Parur | 24-12-1964 |
| 57. Cochin National Bank Ltd., Trichur | 3 | Nedungadi Bank Ltd., Kozhikode | do |
| 58. Tellicherry Bank Ltd., Tellicherry | 3 | Vijaya Bank Ltd., Mangalore | 26-12-1964 |
| 59. Coimbatore Aryan Bank Ltd., Coimbatore | 1 | Srinivasaperumal Bank Ltd., Coimbatore | do |
| 60. Union Bank of Bijapur and Sholapur Ltd., Bijapur | 6 | Sangli Bank Ltd., Sangli | 28-12-1964 |
| 61. Vysya Mercantile Bank Ltd., Ramanagaram | 3 | Vijaya Bank Ltd., Mangalore | do |
| 62. Chitaldrug Bank Ltd., Chitradurga | 1 | Karnataka Bank Ltd., Mangalore | 29-12-1964 |
| **III. List of Banks amalgamated under Section 45 of Banking Companies Act, 1949** | | | |
| 1. Metropolitan Bank Ltd., Calcutta | 8 | United Industrial Bank Ltd., Calcutta | 6- 2-1964 |
| 2. Cochin Nayar Bank Ltd., Trichur | 9 | State Bank of Travancore, Trivandrum | 8- 2-1964 |
| 3. Latin Christian Bank Ltd., Ernakulam | 4 | do. | 17- 8-1964 |
| 4. Salem Sri Kannikaparameswari Bank Ltd., Salem | 4 | Karur Vysya Bank Ltd., Karur | 1- 6-1964 |
| 5. Unao Commercial Bank Ltd., Unnao | 2 | Bareilly Corporation (Bank) Ltd., Bareilly | 12- 8-1964 |
| 6. Southern Bank Ltd., Calcutta | 6‡ | United Industrial Bank Ltd., Calcutta | 24- 8-1964 |
| 7. Shree Jadeya Shankerling Bank Ltd., Bijapur | 1 | Belgaum Bank Ltd., Belgaum | 26-10-1964 |
| 8. Thiyya Bank Ltd., Kottapuram, Cranganore | 5 | Lord Krishna Bank Ltd., Kottapuram, Cranganore | 16-11-1964 |
| 9. Bareilly Bank Ltd., Bareilly | 7 | Benares State Bank Ltd., Ramanagar | 16-11-1964 |

* Merged with the transferee bank's offices.
£ 5 offices taken over by the transferee bank and one office merged with its offices.
** 6 offices taken over by the transferee bank and one office merged with its offices.
@ 14 offices taken over by the transferee bank and one office merged with its offices.
‡ including one in Pakistan which has been ordered to be wound up by Court.

## APPENDIX IV

# SELECTED CIRCULARS ISSUED TO BANKING COMPANIES

### 1. DBO. No. Leg. 129/C. 233B-64 dated January 6, 1964—All Banking Companies

### The Banking Companies Act, 1949—Form of Profit and Loss Account

Please refer to our circular letter DBO. No. Leg. 11113/C. 233B-63 dated the 3rd October 1963 on the above subject. We reproduce below for your information a copy of notification No. S.O. 3555-F. 16(4)-BC/63 dated the 17th December 1963 issued by the Central Government in terms of sub-section (4) of section 29 of the Banking Companies Act, 1949 and published in the Gazette of India dated the 28th December 1963. The amendments take effect from the 25th December 1963 and banking companies will have to furnish the relative particulars in regard to the remuneration of their manager, managing director or chief executive officer in their Profit and Loss Account for the year ended the 31st December 1963 and every year thereafter.

**Government of India, Ministry of Finance (Department of Economic Affairs), New Delhi, dated the 17th December 1963.**

S. O. 3555.—In exercise of the powers conferred by sub-section (4) of section 29 of the Banking Companies Act, 1949 (10 of 1949), the Central Government hereby makes with effect from the 25th day of December, 1963 the following amendments in Form B (Form of Profit and Loss Account) as set out in the Third Schedule to the said Act, a notification giving not less than three months' notice of the intention of the Central Government to make the said amendments having been already published in the Official Gazette as required by the said sub-section, namely :

In Form B, Form of Profit and Loss Account—

(*a*) in item 2 of the Expenditure side, the brackets and words "(showing separately salaries and allowances to managing director, manager or chief executive officer)" shall be omitted ; and

(*b*) after the existing footnote, the following footnote shall be inserted, namely :-

"This form shall be accompanied by a note containing the following particulars namely :-

Particulars of remuneration relating to managing director, manager or chief executive officer showing separately all payments made or provided during the year in respect of each of the following items and the total of all such items, namely :-

(*i*) salaries,

(*ii*) allowances,

(*iii*) sitting fees,

(*iv*) bonus,

(*v*) employer's contributions to provident fund, pension fund or any other superannuation fund, (*vi*) payments by way of gratuities, pensions or otherwise, in excess of the employer's contributions and interest thereon, and

(*vii*) the monetary value of any other benefits or perquisites."

[No. F. 16(4)-BC/63.]

**2. DBO. No. Ins. 642/C. 124(P)-64 dated January 20, 1964—All Banking Companies**

**Advances against gold and gold ornaments**

We invite a reference to paragraph 2 of our circular letter DBO. No. Ins. 524/C. 124(C)-63 dated the 15th January 1963 stressing the advisability of valuing gold and gold contents of ornaments at not more than the international rate for purposes of advances. The position in this regard has since been reviewed and it is considered that while the policy of discouraging bank advances against gold or ornaments and particularly advances which are likely to be utilised for non-productive purposes stands, it has been decided that where such advances are given the value of gold or gold ornaments may be assessed by the banks according to their own best judgment of the market and such margins thereon as are normally deemed adequate by them may be maintained.

**3. DBO. No. Cre. 1622/C. 218-64 dated February 8, 1964—All Scheduled Banks.**

**Advances against Foodgrains**

Please refer to the directive DBO. No. Cre. 681/C. 218-63 dated January 23, 1963, as amended by the directives DBO. No. Cre. 2636/C. 218-63 dated March 11, 1963 and DBO. No. Cre. 5407/C. 218-63 dated May 16, 1963, regulating bank advances against foodgrains (other than wheat).

2. The prospects for rice output for the current agricultural year 1963-64 are better than in the year 1962-63 when the output had decreased by 8 per cent from the 1961-62 level. In 1963, bank credit was permitted to be maintained within ceiling limits equal to the actual level of lending in the previous year. The actual amount of total scheduled bank credit outstanding against paddy and rice in 1963 was, however, on an average 80 per cent of 1962. In the meanwhile, rice prices have risen considerably during the past 12 months and are, at present, higher by around 11 per cent as compared to a year ago and the outlook remains uncertain. It appears, therefore, necessary to maintain the framework of control on bank credit against paddy and rice with suitable adjustments.

3. Accordingly, it has been decided to allow the banks to maintain in each two-month period commencing from January-February 1964, average aggregate levels of advances against paddy and rice, including advances against warehouse receipts, equal to 90 per cent of the levels of such advances maintained in the corresponding periods during the year 1962.

4. A change introduced last year in the credit control policy in regard to paddy and rice (as well as other foodgrains) related to the withdrawal of the exemption granted to advances against warehouse receipts. The control, however, continued to allow for an element of preference for advances against warehouse receipts inasmuch as margins for such advances were prescribed at a lower level, namely, 25 per cent as compared to 35 per cent in the case of other advances. Also, in the interest of a steady and orderly growth of warehousing facilities in the country and with a view to avoiding any undue impact on such advances, the banks were required to maintain, within the overall ceiling limits, a secondary ceiling in respect of the average aggregate levels of their advances *other than* those against warehouse receipts so as not to exceed the levels in the corresponding periods of the previous year. This feature of the control is being retained and within the overall ceiling the non-warehouse advances during 1964 will be restricted, in respect of each bank, to 90 per cent

of the level of such advances maintained in 1962. The previous directive also provided that in order to avoid the adverse incidence of the credit control on the use of the new warehouses, advances against warehouse receipts of those warehouses which came into existence on or after April 1, 1962 should be exempted from the operation of ceilings. This exemption is now being extended further to all advances against warehouse receipts issued by warehouses opened *since January 1, 1961*. This, it is hoped, would ensure provision of the required bank credit for financing the storing of grains in comparatively new warehouses of the Central and State Ware housing Corporations.

5. Provision is made in the revised directive for the continuance of the additional credit limits enjoyed by bank offices operating in Punjab and Orissa. The additional credit limits given last year to bank offices in Assam for ensuring credit to rice millers in that State have, with the restoration of normal conditions, been withdrawn.

6. The provisions relating to other foodgrains (excluding wheat) as set out in the directive of March 11, 1963 are, for the present, continued under the revised directive without any change.

## ANNEXURE

### Advances against foodgrains

In exercise of the powers conferred upon it under Section 21 of the Banking Companies Act, 1949 and in supersession of the directive DBO. No. Cre. 681/C. 218-63 dated January 23, 1963 as amended by the directives DBO. No. Cre. 2636/C. 218-63 dated March 11, 1963 and DBO. No. Cre. 5407/C. 218-63 dated May 16, 1963, the Reserve Bank of India hereby directs that every scheduled bank shall—

**Margin**

I. maintain in respect of each credit limit against the security of paddy and rice or other foodgrains (excluding wheat) a margin which shall not be less than 35 per cent of the value of the relative stocks ;

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of paddy and rice or other foodgrains (excluding wheat) to parties other than co-operative marketing and/or processing societies, the margin maintained shall not be less than 25 per cent of the value of the relative stocks ;

Provided further that in respect of credit limits granted to *licensed* dealers and millers in the State of Punjab against the security of paddy and rice, the margin maintained shall not be less than 25 per cent of the value of the relative stocks ;

**Paddy and Rice; Average Aggregate Levels of Credit**

II. (A) maintain in respect of offices or branches opened before January 1, 1962 in each two-month period commencing from January February 1964, (1) a general ceiling of average aggregate level of credit against the security of paddy and rice which shall not—

(*i*) in respect of its offices and branches in the State of Andhra Pradesh exceed 90 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1962 ;

(*ii*) in respect of its offices and branches in all other States taken together, exceed 90 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1962 ;

Provided that *in addition* to the level of credit permitted under sub-clause (ii) above, (*a*) offices and branches in the State of Punjab may maintain during the year 1964 an average aggregate level of credit equivalent to 15 per cent of the actual level of such credit allowed to *licensed* dealers and millers in the corresponding two-month periods during the year 1962 provided the additional credit is given to such *licensed* dealers and millers ;

(*b*) offices and branches in the State of Orissa may maintain during the year 1964 an average aggregate level of credit, which may be allowed only to rice mills and traders in paddy and rice within that State, and which shall not exceed a limit calculated at the rate of Rs. 1 lakh per branch or office within that State ; and

(2) within the general ceiling under II.A.(1) above, a further ceiling of average aggregate level of credit against paddy and rice other than against the pledge of warehouse receipts as are referred to in clause IV of this directive, which shall not exceed 90 per cent of the average aggregate of such credit actually maintained in the corresponding two-month period during 1962 in relation to advances other than advances against such warehouse receipts ;

**Other Foodgrains (excluding wheat)**

(B) maintain separately in respect of its offices and branches in (*i*) the State of Madhya Pradesh, (*ii*) the State of Uttar Pradesh and (*iii*) all other States taken together, in the two-month period of January-February 1964 (1) an average aggregate level of credit against the security of other foodgrains (excluding wheat) which shall not exceed the average aggregate level of credit maintained in the corresponding two-month period of 1962, and (2) a further ceiling of average aggregate level of advances against such other foodgrains other than advances against the pledge of warehouse receipts as are referred to in clause IV of this directive, which shall not exceed such level of credit actually maintained in the corresponding two-month period during 1962 in relation to advances other than advances against such warehouse receipts.

**New Offices or Branches**

**III.** *In addition* to the level of credit permitted to be maintained, under clause II(A) (for paddy and rice) and II(B)(for other foodgrains excluding wheat) above, every scheduled bank may maintain (*i*) in each two-month period, commencing from January-February 1964, a further level of credit against the security of paddy and rice, and (*ii*) in the two-month period, January-February 1964, a further level of credit against the security of other foodgrains (excluding wheat), at its new offices, i.e. offices or branches opened on or after January 1, 1962—

(*a*) where such offices are at "Centres without banking facilities", to the extent of Rs. 1 lakh in respect of each such office subject to the relative stocks being in the possession of or under the control of the office concerned : but any excess of such level of credit over Rs. 1 lakh shall be taken into account for computing the average aggregate level of credit for the purposes of this directive ;

(*b*) where such offices are at centres not covered by sub-clause (*a*) above, to an extent equal to *three times* the average aggregate level of credit actually maintained by those offices in the corresponding two-month period during the year 1962 ; but any excess of such level of credit over the permitted level under this sub-clause shall be taken into account for computing the average aggregate level of credit for the purposes of this directive.

(*Note:* The amount of permitted level for purposes of clauses II and III (*b*) will be intimated to each bank).

**Exemptions**

IV. Advances against paddy and rice or other foodgrains (excluding wheat) granted to co-operative marketing and/or processing societies shall be completely exempt from the provisions of this directive. Advances against warehouse receipts of those warehouses which were established by the Central and State Warehousing Corporations *on or after January* 1, 1961, shall be exempt from the provisions of clause II(A) & (B) of this directive.

V. **Definitions.**

For the purposes of this directive:

(*a*) "two-month period" means successive two months commencing from January- February 1964 ;

(*b*) "credit" or "credit limit" includes credit provided by way of (1) loan or advance, (2) cash credit or overdraft, or (3) purchase or discount of bills other than demand documentary bills drawn in connection with the movement of paddy and rice and other foodgrains (excluding wheat) ;

(*c*) "average aggregate level of credit" means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in form 7 is to be furnished, namely, the second and the fourth Friday when there are four Fridays in a month or the third and the fifth Friday when there are five Fridays in a month ;

(*d*) "other foodgrains (excluding wheat)" means any, some or all of the following commodities, namely, jowar, bajra, maize, barley, ragi, gram and all other grains and pulses, but does not include paddy and rice ;

(*e*) "centre without banking facilities" refers to a place within the radius of 15 miles of which there is no other office or branch of a scheduled bank operating ;

(*f*) "*licensed* dealers and millers" in the Punjab refers to dealers and millers licensed under the Punjab Rice Dealers Licensing Order, 1957 and the Punjab Rice Mills (Licensing and Control) Order, 1958, respectively.

**Explanation**

VI. References in this directive to "average aggregate level of credit" in respect of advances against paddy and rice or other foodgrains (excluding wheat) shall be construed as reference to the level *inclusive* of advances outstanding against the pledge of warehouse receipts (issued by warehouses established by the Central and State Warehousing Corporations) made to parties other than co-operative marketing and/or processing societies. Accordingly, in computing the general limit of average aggregate level of advances against paddy and rice or other foodgrains (excluding wheat) outstanding in the corresponding two-month period in 1962, advances outstanding against warehouse receipts to parties other than co-operative marketing and/or processing societies shall be taken into account. The permitted ceilings under this directive will be, (*a*) a general ceiling of average aggregate level of credit as stated under clause II(A) which shall not exceed 90 per cent of such level of credit actually maintained in the corresponding two-month period of 1962 in relation to advances including those against warehouse receipts and (*b*) the *further* ceiling of credit in relation to advances other than advances against the pledge of the specified warehouse receipts, which shall not exceed 90 per cent of the such level of credit actually maintained in the corresponding two-month periods during 1962 in relation to advances other than advances against the pledge of such warehouse receipts. The average aggregate level of credit under clause III(*b*) of this directive in relation to advances other than advances against the pledge of warehouse receipts, shall not exceed three times such level of credit actually maintained in the corresponding two-month period during the year 1962 in relation to advances other than advances against the pledge of warehouse receipts.

**Composite Advances**

VII. Where credit limits have been sanctioned against the security of paddy and rice and other foodgrains (excluding wheat) and against any other type of security (that is composite credit limits), the credit limits against (*a*) paddy and rice and (*b*) other foodgrains (excluding wheat), shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**4. DBO. No. Sch. 3089/ C. 96-64 dated March 11, 1964—All Scheduled Banks.**

## GOVERNOR'S LETTER

### Changes in Borrowing Quotas

On the eve of the current busy season, in terms of the letter DBO. No. Sch. 12432/C. 96-63 dated October 30, 1963, the Reserve Bank had increased the borrowing quotas and reduced the rate of interest charged in respect of special accommodation to enable banks to maintain a reasonably liberal supply of credit for productive purposes. This has imparted the needed stimulus to the economy. In the context of a difficult supply situation of agricultural commodities which has been in evidence since, and recent economic and credit trends—the expansion of bank credit is approaching Rs. 300 crores and banks' borrowing from the Reserve Bank reached nearly Rs. 107 crores as on March 6, 1964—there is now need for caution in further credit extension by banks.

2. Accordingly, the Bank's system of quotas and lending rates for both bills and Government securities, communicated to you vide our letter DBO. No. Sch. 12432/C. 96-63 dated October 30, 1963 is being modified, with immediate effect, in the following manner :-

| Rate per annum | Quota for borrowing |
|---|---|
| 4½% | 50 per cent of the statutory reserves |
| 6% | Another 50 per cent of the statutory reserves. |

Any borrowing beyond this limit (viz. more than 100 per cent of a bank's statutory reserves) will be in the nature of special accommodation calling for a careful assessment of a bank's overall position and will bear interest at a rate of 6½ per cent per annum.

3. The above system of quotas and lending rates is applicable to borrowings of scheduled banks under Section 17(4) (*a*), (4) (*c*) and 3(A) of the Reserve Bank of India Act.

4. As regards additions to the basic quotas of individual banks in respect of their lending to small-scale industries and co-operatives as well as the additional accommodation in respect of advances to collieries, these will continue to be governed by our circular letter DBO. No. Sch. 12432/ C. 96-63 dated October 30, 1963.

5. As regards exports, the facilities made available under the Export Bills Credit Scheme—Rupee Export Bills, vide the Bank's circular letter DBO. No. B.M. 2733/C. 297K-63 dated March 13, 1963 will continue *mutatis mutandis.* Thus an additional quota for borrowing from the Reserve Bank at the Bank Rate will be available to banks over and above the quota for borrowing up to 50 per cent of statutory reserves at 4½ per cent mentioned in paragraph 2 above in respect of banks' holdings of eligible usance export bills drawn in Indian rupees and purchased/negotiated/discounted by them, provided the bank agrees that it will not charge commission/interest/ discount on *all* its

usance Rupee export bills at a rate exceeding $1\frac{1}{2}$ per cent per annum over the Bank Rate and provided that the amounts so borrowed do not exceed the value of the rupee export bills purchased/negotiated/discounted by them.

6. The present economic situation in the country requires that the banks extend all financial assistance for augmenting the output of goods for defence, exports and generally for genuine productive purposes and avoid utilisation of bank credit for hoarding of commodities expected to be in short supply. Banks should, therefore, re-examine their advances portfolio especially from this point of view. In respect of groundnuts, where there is evidence of speculative withholding of stocks with the help of bank credit, it is considered necessary to reimpose ceilings on advances by scheduled banks against the security of this commodity. A directive in this regard is being separately issued.

7. Banks' clean advances have shown an inordinate rise, having increased over the 12 months ending February 28, 1964 by 29 per cent. Some of this increase may be justified owing to grant of additional clean limits for industrial production purposes. Banks should, however, review their portfolio of clean advances and bring down the level of such advances.

8. Along with a judicious pruning down of their advances the current situation also requires that the banks should considerably step up their efforts to mobilise deposits so as to be in a position to meet the increased tempo of financing economic expansion out of their own resources and, at the same time, to conform to the higher liquidity requirements which come into effect from September 16, 1964. This suggests the need for comprehensive review by banks of all possible measures, including re-examination of the pattern of interest rates offered by banks on deposits, for the purpose of inducing a greater accretion of deposits to the banking system.

### 5. DBO. No. Cre. 3106/C. 218(H)-64. dated March 11, 1964—All Scheduled Banks

#### Advances against Oilseeds

Please refer to the directive DBO. No. Cre. 2057/C. 218(H)-62 dated February 28, 1962 as amended by the directive DBO. No. Cre. 3796/C. 218(H)-62 dated April 19, 1962 and the directive DBO. No. Cre. 913/C. 218 (H)-63 dated January 25, 1963 regulating bank advances against groundnuts and other oilseeds (excluding cottonseeds).

2. The output of groundnuts during 1963-64 is estimated to be only slightly higher than in the preceding year. Prices of groundnuts have, however, shown a marked rise as compared to a year ago ; also, prices have risen during a period when they usually decline. Scheduled bank advances against groundnuts have shown a considerable increase in recent months, the level at the end of January 1964 being 170 per cent of the level a year ago, and a large part of this increase has been in respect of advances made to parties other than manufacturing units. On a general review of the price and credit situation regarding groundnuts, it is considered necessary to reimpose ceilings on advances by scheduled banks against the security of groundnuts and also raise the minimum margin which is required to be maintained by banks on such advances. The general lines of control are set out below.

3. The minimum margin required to be maintained by banks on advances against groundnuts which is at present 45 per cent shall be increased to 50 per cent. The ceiling limits on total advances against groundnuts to be maintained by banks shall be as follows : initially during the two-month period March-April 1964, 130 per cent, and subsequently in each two-month period commencing from May-June 1964, 120 per cent of the actual level of such advances maintained in the corresponding periods during the year 1963. In reviewing the credit limits with a view to bringing down the level of advances outstanding, due regard may be paid to the genuine credit requirements of manufacturing units.

4. It would be permissible for you to meet, *on a priority basis*, part of the additional credit requirements of exporters, within the overall permissible credit limits against groundnuts. It is important for the effective implementation of the provisions of this directive that exemption from margins and ceiling limits accorded to exporters of groundnuts and groundnut oil is scrupulously applied so as to avoid a misuse of the exemption, such as the same exporter obtaining credit from more than one bank in respect of the same export licence or contract. Parties affected by the directive should not also be allowed facilities, which would either directly or indirectly defeat its purpose, for example, through grant of clean advances, discount of clean bills, etc.

5. The provision relating to 'other oilseeds (excluding cottonseeds)' as set out in our earlier directives of February 28, 1962 as amended by our directives of April 19, 1962 and January 25, 1963 are, for the present, continued under the revised directive without any change.

6. Please instruct your offices to furnish to the Director of Banking, Economic Department, a statement in the form enclosed showing the data in regard to export contracts for groundnuts held by their constituents along with their fortnightly returns on advances in Form 7. The additional permitted level to which each bank is entitled will be advised in due course.

## ANNEXURE

### Advances against oilseeds

In exercise of the power conferred by section 21 of the Banking Companies Act, 1949, and in supersession of the directive DBO. No. Cre. 2057/C. 218 (H)-62 dated February 28, 1962 as amended by the directive DBO. No. Cre. 3796/C.218(H)-62 dated April 19, 1962 and the directive DBO. No. Cre. 913/C. 218(H)-63 dated January 25, 1963, the Reserve Bank of India hereby directs that every scheduled bank—

**Groundnuts**

**Margin I.** (1) *shall* maintain in respect of each credit limit against the security groundnuts whether granted before or after the date of receipt of this directive, a margin which shall not be less than 50 per cent of the value of the relative stocks ;

**Average aggregate level of credit ceilings**

(2) *shall* maintain an average aggregate level of credit against the security of groundnuts during March-April 1964, not exceeding 130 per cent and in each subsequent two-month period not exceeding 120 per cent of the average aggregate level of credit respectively maintained in the corresponding two-month period of 1963, *in the case of such credit to all parties.*

**Additional level of credit**

(3) *may in addition* to the level of credit permitted under sub-clause (2) above, maintain in each two-month period commencing from March-April 1964, a further level of credit against the security of groundnuts, not exceeding the following limits :-

(*i*) to bona fide exporters of *H.P.S. groundnut kernels*, upto 200 per cent of the *additional credit limit* permitted to the bank under directive DBO. No. Cre. 2057/C. 218(H)-62 dated February 28, 1962 as amended by the directive DBO. No. Cre. 913/C. 218(H)-63 dated January 25, 1963 for the corresponding two-month period of 1962 towards credit to such exporters extended against the unutilised portion of the quota or contracts registered with the Export Trade Control authorities ;

(*ii*) to any party holding a licence (which is in force) for the export of groundnut oil, up to 50 per cent of the value of the groundnut equivalent of the unutilised portion of the quota under such licence, provided such party is (*a*) an exporter of groundnut oil *and* (*b*) is either an oil crusher or stocks groundnuts for getting them crushed by other oil expellers only for the purpose of export. (Explanation: For the purpose of (*ii*) above, one ton of groundnut oil should be taken as equivalent of 2½ tons of groundnuts of ordinary variety).

(*iii*) to any integral oil expeller mill upto 25 per cent of the f.o.b. value of the de-oiled or de-fatted groundnut cake actually exported by it in the corresponding two-month period of 1963.

**Other Oilseeds**

**Margin II.** *Shall* maintain in respect of each credit limit against the security of 'other oilseeds' whether granted before or after the date of receipt of this directive, a margin which shall not be less than 40 per cent of the value of the relative stocks.

**Exemptions**

**III.** (1) The provisions relating to margin in clause I(1) and clause II above do not apply to credit limits in favour of (*a*) vanaspati manufacturers and (*b*) exporters of groundnut oil, groundnut or 'other oilseeds'. (2) The provisions relating to margin and restrictions on credit in clauses I and II above do not apply to credit against the pledge of warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations.

**Definitions**

**IV.** For the purpose of this directive—(*i*) 'Average Aggregate Level of Credit' means the average of the outstanding advances as on the four Fridays during the two month period with reference to which the return in Form 7 is to be furnished, namely, the second and fourth Friday, when there are four Fridays in a month or the third and fifth Friday when there are five Fridays in a month ;

(*ii*) 'Credit' or 'Credit Limit' includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills drawn in connection with the movement of groundnuts and 'Other Oilseeds.';

(*iii*) 'Manufacturing Units' means 'Vanaspati' manufacturers, integral oil expeller mills, oil crushers and oil mills established recently ;

(iv) 'Other Oilseeds' mean all oilseeds other than groundnuts and cottonseeds ;

(*v*) 'Two-month period' means the successive two months, commencing from March-April, viz., March-April, May-June etc.;

(*vi*) 'Unutilised portion of contracts' means total quantity under contracts *less* that portion which has already been fulfilled by actual exports ;

(*vii*) 'Unutilised portion of quota' means total quota *less* that portion thereof which has already been utilised by actual exports.

**Composite Advances**

**V.** Where credit limits have been sanctioned against the security of groundnuts, other oilseeds and any other type of security (*i.e.* composite credit limits), the credit limits against (*a*) groundnuts and (*b*) other oilseeds, shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**Data in regard to export contracts for groundnuts held by our constituents**

| Serial No. | Name of the constituent | Total Export Contract | | Contracts in respect of which shipment is still to be effected | | Total limit sanctioned against groundnuts | Remarks |
|---|---|---|---|---|---|---|---|
| | | Quantity (tons) | Value (Rs. 000) | Quantity (tons) | Value (Rs. 000) | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |

### 6. DBO. No. Cre. 3679/C. 218-64 dated March 21, 1964—All Scheduled Banks

### Advances against Foodgrains other than Rice and Wheat

Please refer to the directive regulating bank advances against foodgrains enclosed with our letter DBO. No. Cre. 1622/C. 218-64 dated February 8, 1964. According to the terms of this directive the provisions contained in the directive of January 23, 1963 as amended by the directives of March 11, 1963 and May 16, 1963 relating to 'other foodgrains (excluding rice and wheat)' were in effect continued for the two-month period January-February 1964.

2. In view of the appreciable rise in prices of the more important foodgrains in this category and lack of any noticeable improvement in the output of these foodgrains as compared to the previous year, it is considered necessary to maintain the general framework of the control on advances against 'other foodgrains.' Accordingly, scheduled banks are required to maintain in each two-month period commencing from March-April 1964 an average aggregate level of advances, including advances against warehouse receipts other than those of warehouses established by Central and State Warehousing Corporations on or after 1st January 1961, against the security of 'other foodgrains (excluding rice and wheat)' which shall not exceed the average aggregate level of such credit actually maintained during the corresponding period of 1962.

3. The other provisions relating to margin requirements etc. against the security of 'other foodgrains (excluding rice and wheat)' as set out in the directive of February 8, 1964 are continued without any change.

### ANNEXURE

### Advances against Foodgrains other than Rice and Wheat

In exercise of the powers conferred upon it under Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that the following amendments shall be made in the directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964, namely :-

In the said directive,

(1) For Clause II(B), the following clause shall be substituted :-

"(B) **Other Foodgrains (excluding wheat)**

Maintain separately in respect of its offices and branches opened before January 1, 1962 in (*i*) the State of Madhya Pradesh, (*ii*) the State of Uttar Pradesh and (*iii*) all other States taken together, in each two-month period commencing from March-April 1964 (1) an average aggregate level of credit against the security of other foodgrains (excluding wheat) which shall not exceed the average aggregate level of credit maintained in the corresponding two-month period of 1962, and (2) a further ceiling of average aggregate level of advances against such other foodgrains other than advances against the pledge of warehouse receipts as are referred to in clause IV of this directive, which shall not exceed such level of credit actually maintained in the corresponding two-month period during 1962 in relation to advances other than advances against such warehouse receipts."

(2) in Clause III(*ii*) for the words "in the two-month period January-February 1964" the words "in each two-month period commencing from March-April 1964," shall be substituted.

### 7. DBO. No. Cre. 4970/C. 218-64. dated April 21, 1964—All Scheduled Banks

### Advances against Wheat

Please refer to the directive enclosed with our letter DBO. No. CRE. 4839/C. 218-61 dated May 15, 1961 whereby restrictions on advances against wheat were withdrawn. During the year 1962-63, there was a sizeable decline in the wheat crop and it is apprehended that the crop for the current year may be even lower than in the previous year. In the meanwhile, wheat prices have risen and are at present substantially higher than the level a year ago. In view of the shortage of supplies and the persistent tendency of prices to rise, it is considered necessary to re-institute the regulatory provisions relating to advances against wheat both in respect of ceiling limits and the minimum margins to be maintained by banks.

The enclosed directive prescribes a minimum margin of 35 per cent on advances against wheat (other than the exempted categories) excepting advances against warehouse receipts issued by the Central and State Warehousing Corporations covering stocks of wheat to parties other than co-operative marketing and/or processing societies in respect of which the minimum margin will not be less than 25 per cent.

The average aggregate limits in respect of advances against wheat (excluding all the exempted categories) to be maintained during each two-month period commencing from May-June 1964 are fixed at a level equivalent to 80 per cent of such limits maintained in each corresponding two-month period in 1962. The types of advances exempted from the provisions relating to ceiling limits include advances against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations, wheat advances to roller flour mills and those given to co-operative marketing and/or processing societies.

The directive DBO. No. Cre. 1623/C. 218-64 dated February 8, 1964 as amended by the directive DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 in respect of paddy and rice and other foodgrains (excluding wheat) continues to be operative.

## ANNEXURE

### Advances against wheat

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that every scheduled bank—

**Margin**

I. Shall maintain in respect of each credit limit against the security of wheat a margin which shall not be less than 35 per cent of the value of the relative stocks :

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of wheat to parties other than co-operative marketing and/or processing societies and roller flour mills, the margin maintained shall not be less than 25 per cent of the value of the relative stocks ;

**Average aggregate level of credit**

II. Shall maintain in respect of offices or branches opened before January 1, 1962 in each two-month period commencing from May-June 1964,

(1) a ceiling of average aggregate level of credit against the security of wheat which shall not—

(*i*) in respect of its offices and branches in the State of Punjab exceed 80 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1962.

(*ii*) in respect of its offices and branches in all other States taken together, exceed 80 per cent of the average aggregate level of credit maintained by such offices or branches in the corresponding two-month periods during the year 1962—

**New Offices or Branches**

III. may *in addition* to the level of credit permitted to be maintained under clause II above, maintain in each two-month period, commencing from May-June 1964, a further level of credit against the security of wheat at its new offices, *i.e.* offices or branches opened on or after January 1, 1962—

(*a*) where such offices are at "Centres without banking facilities," to the extent of Rs. 1 lakh in respect of each such office subject to the relative stocks being in the possession of or under the control of the office concerned : but any excess of such level of credit over Rs. 1 lakh shall be taken into account for computing the average aggregate level of credit for the purpose of this directive ;

(*b*) where such offices are at centres not covered by sub-clause (*a*) above, to an extent equal to *three times* the average aggregate level of credit actually maintained by those offices in the corresponding two-month periods during the year 1962 ; but any excess of such level of credit over the permitted level under this sub-clause shall be taken into account for computing the average aggregate level of credit for the purposes of this directive.

(*Note:* The amount of permitted level for purposes of clauses II and III (*b*) will be intimated to each bank).

**Exemptions**

IV. Advances against wheat granted to co-operative marketing and/or processing societies and to roller flour mills shall be completely exempt from the provisions of this directive. Advances against warehouse receipts of those warehouses which were established by the Central and State Warehousing Corporations shall be exempt from the provisions of clauses II and III of this directive.

**Definitions**

V. For the purposes of this directive :

(*a*) "two-month period" means successive two months commencing from May-June 1964.

(*b*) "credit" or "credit limit" includes credit provided by way of (1) loan or advance, (2) cash credit or overdraft, or (3) purchase or discount of bills other than demand documentary bills drawn in connection with the movement of wheat.

(*c*) "average aggregate level of credit" means the average of the outstanding advances as on the four Fridays during the two-month period with reference to which the return in Form 7 is to be furnished, namely, the second and the fourth Friday when there are four Fridays in a month or the third and the fifth Friday when there are five Fridays in a month ;

(*d*) "centre without banking facilities" refers to a place within the radius of 15 miles of which there is no other office or branch of a scheduled bank operating.

**Composite Advances**

VI. Where credit limits have been sanctioned against the security of wheat and against any other type of security (that is composite credit limits), the credit limits against wheat shall be segregated and the restrictions contained in this directive shall be made applicable to such segregated limits.

**8. DBO. No. Leg. 7943/C. 233A-64 dated June 30, 1964.**

**The Banking Companies Rules, 1949 and Forms prescribed thereunder.**

Please refer to our letter DBO. No. Leg. 8614/C. 276-63 dated the 27th July 1963. We now enclose a copy of notification No. G.S.R. 794-F. 16(1)-BC/63 dated the 20th May 1964 issued by the Central Government in terms of sub-sections (1) and (2) of section 52 of the Banking Companies

Act, 1949, amending Rules 6, 8 and 10 of the Banking Companies Rules, 1949 and Forms III and X prescribed thereunder. The amendments have come into force on the 30th May 1964, the date on which the notification was published by Government in the Gazette of India. In this connection we would like to draw your attention to the following points :-

(*i*) By virtue of the amendment of Rules 6, 8 and 10 the facility available to your bank hitherto, of depositing Sterling securities with the London Office of the Reserve Bank of India for the purpose of section 11(2) of the Banking Companies Act, 1949 stands withdrawn. In this connection it may be mentioned that in terms of our letter referred to above, after the closure of our London Office your bank was permitted, under a special arrangement till the above mentioned amendments became effective, to deposit Sterling securities with the State Bank of India, London which held the securities on behalf of the principal office of the Reserve Bank. Since the said amendments have come into effect on the 30th May 1964 the aforesaid arrangement stands cancelled as from that date. Your bank may, therefore, deposit immediately with the principal office of the Reserve Bank cash and/or unencumbered approved securities for complying with the requirements of section 11(2) of the Banking Companies Act, 1949, under advice to us.

(*ii*) In terms of item 4 of the notification, the amended Form X shall come into force on the 16th September 1964. The first return in this Form may relate to the month of September 1964 and should disclose the position as on the Fridays falling after the 16th September 1964. As for the position as on the Fridays falling before the 16th September 1964, the return in respect thereof may be submitted in the existing Form X. The returns should be submitted in the prescribed manner.

**9. DBO. No. Leg. 7944/C. 233A-64 dated June 30, 1964—All banking companies**

**The Banking Companies Rules, 1949 and Forms prescribed thereunder**

We enclose for your information a copy of notification No. G. S. R. 794-F. 16(1)-BC/63 dated the 20th May 1964 issued by the Central Government in terms of sub-sections (1) and (2) of section 52 of the Banking Companies Act, 1949, amending Rules 6, 8 and 10 of the Banking Companies Rules, 1949 and Forms III and X prescribed thereunder. The amendments have come into force on the 30th May 1964, the date on which the notification was published by Government in the Gazette of India. In this connection we would like to draw your attention to the following points :

(*i*) The amendment of Rules 6, 8 and 10 are consequential to the closure of the London Office of the Reserve Bank. The facility available to foreign banks hitherto, of depositing Sterling securities with that office for the purpose of section 11(2) of the Banking Companies Act stands withdrawn.

(*ii*) The first return in Form III as amended may relate to the month of June 1964 and should be submitted by the banks concerned in the prescribed manner.

(*iii*) In terms of item 4 of the notification, the amended Form X shall come into force on the 16th September 1964. The first return in this Form may relate to the month of September 1964 and should disclose the position as on the Fridays falling after the 16th September 1964. As for the position as on the Fridays falling before the 16th September 1964, the return in respect thereof may be submitted in the existing Form X. The returns should be submitted in the prescribed manner.

## ANNEXURE

## GOVERNMENT OF INDIA MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 20th May 1964

G.S.R. 794.—In exercise of the powers conferred by sub-sections (1) and (2) of section 52 of the Banking Companies Act, 1949 (10 of 1949), the Central Government hereby makes the following rules further to amend the Banking Companies Rules, 1949, the same having been previously published as required by sub-section (3) of the said section, namely :-

1. These rules may be called the Banking Companies (Amendment) Rules, 1964.

2. In the Banking Companies Rules, 1949,—

(1) in rule 6,

(*a*) (*i*) the proviso to sub-rule (1),

(*ii*) sub-rule (3),

(*iii*) the words "or of an intimation of deposit under sub-rule (3)" occurring in sub-rule (5), and

(*iv*) sub-rule (6)

shall be omitted ;

(*b*) the existing sub-rule (4) and sub-rule (5) as so amended shall be renumbered as sub-rules (3) and (4) respectively ;

(2) in rule 8, sub-rule (1) shall be omitted and in sub-rule (2), the brackets and figure "(2)" shall be omitted ;

(3) in rule 10,

(*a*) (*i*) sub-rule (2),

(*ii*) the word "rupee" and the words, brackets and figure "and with the amounts received, if any, from the London Office of the Reserve Bank under sub-rule (2)", occurring in sub-rule (3)

shall be omitted ; and

(*b*) sub-rule (3) as so amended shall be renumbered as sub-rule (2).

3. In Form III of the Forms annexed to the said Banking Companies Rules, for the existing item B and the entry relating thereto, the following item shall be substituted, namely :

"B. Minimum amount of cash reserve required to be held under section 18 of the Act—Three per cent of A3."

4. For the existing Form X annexed to the said Banking Companies Rules, the Form specified in the Appendix hereto shall be substituted with effect from the 16th September, 1964.

## APPENDIX

## THE BANKING COMPANIES ACT, 1949

## FORM X

(Section 24)

Name of the banking company.......................................................................................

Name and designation of the officer submitting the return...................................................

Statement of demand and time liabilities and cash, gold and unencumbered approved securities for

the month of.........................................................................................................

(To be furnished to the Reserve Bank not later than 15 days after the end of the month to which it relates)

(Rounded off to the nearest thousand)

| | As at the close of business on | | | | |
|---|---|---|---|---|---|
| | 1st Friday (a) | 2nd Friday (a) | 3rd Friday (a) | 4th Friday (a) | 5th Friday (a) |
| A. LIABILITIES IN INDIA : | | | | | |
| 1. Demand Liabilities (Less borrowings from the Reserve Bank, the State Bank of India, the Refinance Corporation for Industry Ltd., and notified banks*) | | | | | |
| 2. Time Liabilities (Less borrowings from the Reserve Bank, the State Bank of India, the Refinance Corporation for Industry Ltd., and notified banks*) | | | | | |
| 3. TOTAL OF A1 AND A2 | | | | | |
| B. Minimum amount of assets required to be held under section 24 of the Act (25 per cent of A3) | | | | | |
| C. ASSETS IN INDIA : | | | | | |
| 1. (a) Cash in hand | | | | | |
| (b) Balances with the State Bank of India in current account | | | | | |
| (c) Balances with notified banks** in current account | | | | | |

| | As at the close of business on | | | | |
|---|---|---|---|---|---|
| | 1st Friday (a) | 2nd Friday (a) | 3rd Friday (a) | 4th Friday (a) | 5th Friday (a) |
| 2. Total of (*a*), (*b*) and (*c*) under C1 | | | | | |
| 3. Balances with the Reserve Bank in current account | | | | | |
| 4. Cash and/or balances required to be maintained under section 18 of the Banking Companies Act+ | | | | | |
| Balances required to be maintained under section 42 of the Reserve Bank of India Act ++ | | | | | |
| 5. Excess of the total of C2 and C3 over C4+ | | | | | |
| Total of C2 and excess of C3 over C4++ | | | | | |
| 6. Gold (valued at a price not exceeding current market price) | | | | | |
| 7. Unencumbered approved securities (valued at a price not exceeding current market price) | | | | | |
| 8. Deposits with the Reserve Bank under sub-section (2) of section 11 of the Act | | | | | |
| (*i*) Cash | | | | | |
| (*ii*) Unencumbered approved securities (valued at a price not exceeding current market price) | | | | | |
| 9. TOTAL OF C5, C6, C7 AND C8 | | | | | |

Date............................................ Signature..............................

(*a*) Give dates (where Friday is a holiday under the Negotiable Instruments Act, 1881 (26 of 1881), the preceding working day).

* 'Notified bank' means any banking institution notified by the Central Government under clause (*c*) of the Explanation to sub-section (1) of section 42 of the Reserve Bank of India Act, 1934 (2 of 1934).

** 'Notified bank' means any other bank which may be notified by the Central Government under section 24 of the Banking Companies Act, 1949.

\+ For non-scheduled banks only.

++ For scheduled banks only.

(No. F. 16(1)-BC/63)

**10. DBO. No. Cre. 8400/C. 218(H)-64 dated July 7, 1964—All Scheduled Banks**

**Advances against oilseeds and vegetable oils**

Please refer to our letter DBO. No. Cre. 3106/C. 218 (H)-64 dated March 11, 1964 enclosing directive DBO. No. Cre. 3107/C. 218(H)-64 of the same date, regulating bank advances against groundnuts and other oilseeds (excluding cottonseeds).

2. During the last few months prices of oilseeds and vegetable oils have shown a marked rise and this has been particularly so in the case of groundnuts, groundnut oil, mustard seed and rapeseed and mustard oil. Scheduled bank advances against both oilseeds and vegetable oils have increased considerably in recent months, the rise, particularly in the case of vegetable oils, being of the order of nearly 20 per cent during the year ended May 1964. The price rise in respect of vegetable oils has been a cause for concern and on a general review of the credit situation regarding vegetable oils and oilseeds it is considered necessary to impose minimum margins on advances by scheduled banks against the security of vegetable oils including *Vanaspati* which shall not be less than 50 per cent of the value of the relative stocks. Further the minimum margin required to be maintained by banks on advances against "other oilseeds" (i.e. oilseeds other than groundnuts and cottonseeds), which is at present 40 per cent, shall be increased to 50 per cent with immediate effect.

3. The rest of the provisions relating to 'other oilseeds' (excluding groundnuts and cottonseeds) as set out in our earlier directive of March 11, 1964 are, *for the present*, continued in the revised directive without any change.

**ANNEXURE—1**

**Advances Against Oilseeds**

In exercise of the powers conferred by Section 21 of the Banking Companies Act 1949, the Reserve Bank of India directs that the following amendment shall be made in the directive DBO. No. Cre. 3107/C.218(H)-64 dated March 11, 1964, regulating bank advances against groundnuts and other oilseeds (excluding cottonseeds).

In the said directive, for clause II, the following clause shall be substituted:

II. **Other Oilseeds**

**Margin**—*shall* maintain in respect of each credit limit against the security of 'other oilseeds' whether granted before or after the date of receipt of the directive DBO. No. Cre. 8401/C. 218(H)-64 dated July 7,1964, a margin which shall not be less than 50 per cent of the value of the relative stocks.

**ANNEXURE—2**

**Advances against vegetable oils (including Vanaspati)**

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank hereby directs that every scheduled bank shall maintain in respect of each credit limit against the security of vegetable oils including *Vanaspati*, whether granted before or after the date of receipt of this directive, a minimum margin which shall not be less than 50 per cent of the value of the relative stocks.

*Explanation :* 'Credit Limit' includes credit provided by way of loans or advances, cash credit or overdraft or purchase or discount of bills other than demand documentary bills.

### 11. DBO. No. Ret. 10066/C. 236-64 dated August 14, 1964—All Foreign Banks

#### Section 24(2A) of the Banking Companies Act 1949

As you are aware, the amended section 24 (2A) of the Banking Companies Act, 1949, will come into force with effect from the 16th September 1964. This section provides that the liquid assets required to be maintained in India should be twenty-five per cent of the total demand and time liabilities in India instead of twenty per cent as at present. Any deposit required to be maintained with the Reserve Bank of India under section 42(1) of the Reserve Bank of India Act shall not, however, be taken into account for the purpose of this section. Some of the Exchange Banks have represented to us that in view of the present disposition of their assets, they would like to keep a part of their assets for the time being in the form of approved sterling securities replacing them by rupee securities in two or three years' time. The Reserve Bank of India have no objection to this proposal. However, in view of the provisions of the above section, such approved sterling securities would have to be brought to and physically held in India, after complying with the exchange control requirements.

2. The amount and particulars of approved sterling securities which may be included by your bank under item C. 7 of the return in Form X may please be indicated in the return by means of a foot-note.

### 12. DBO. No. Cre. 10113/C. 218-64 dated August 17, 1964—All Scheduled Banks

#### Advances against foodgrains

Please refer to the directives enclosed with our letters DBO. No. Cre. 4970/C. 218-64 dated April 21, 1964, DBO. No. Cre. 3679/C. 218-64 dated March 21, 1964 and DBO. No. Cre. 1622/ C.218/64 dated February 8, 1964 regulating bank advances against foodgrains. In view of the sharp rise in prices of foodgrains during the last few months and with a view to checking further possible speculative hoarding of stocks of foodgrains with the help of bank advances, it is considered necessary to tighten the existing controls on advances made by banks against the security of paddy and rice, wheat and other foodgrains.

Accordingly, the minimum margin to be maintained by banks on advances against these foodgrains has been raised from 35 per cent to 50 per cent with immediate effect. The minimum margin on advances against warehouse receipts covering foodgrains is also raised from 25 per cent to 40 per cent.

It has been noticed that bank advances against other foodgrains i.e., other than paddy and rice and wheat have risen substantially during the last four months and the average aggregate limits have in several cases exceeded the permitted limits. In view of the sharp rise in prices of some of the foodgrains namely, gram, jawar, bajra, maize and barley, it is decided to reduce the ceiling limits in respect of advances against other foodgrains i.e., (other than paddy and rice and wheat). The average aggregate limits in respect of advances against "other foodgrains" (excluding all the exempted categories) to be maintained during each two-month period commencing from September-October 1964 are fixed at a level equivalent to 90 per cent of such limits maintained in each corresponding two-month period in 1962.

2. The other provisions relating to the ceiling limits, margin requirements, etc. on advances against the security of paddy and rice, wheat and other foodgrains, as set out in the directives of April 21, 1964 and February 8, 1964 are continued without any change.

## ANNEXURE

### Advances against foodgrains

In exercise of the powers conferred upon it under Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that the following amendments shall be made in the directives (*i*) DBO. No. Cre. 1623/C.218-64 dated February 8, 1964 as amended by directive DBO. No. Cre. 3680/C. 218-64 dated March 21, 1964 and (*ii*) DBO. No. Cre. 4971/C. 218-64 dated April 21, 1964:—

1. In the said directive dated February 8, 1964 as amended by directive dated March 21, 1964—(*i*) for clause I (Margin), substitute the following clause:—

**Margin**

I—maintain in respect of each credit limit against the security of paddy and rice or other foodgrains (excluding wheat), whether granted before or after the date of receipt of the directive DBO. No. Cre. 10114/C. 218-64 dated the 17th August 1964 a margin which shall not be less than 50 per cent of the value of the relative stocks :

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of paddy and rice or other foodgrains (excluding wheat) to parties other than co-operative marketing and/or processing societies, the margin maintained shall not be less than 40 per cent of the value of the relative stocks :

Provided further that in respect of credit limits granted to *licensed* dealers and millers in the State of Punjab against the security of paddy and rice, the margin maintained shall not be less than 25 per cent of the value of the relative stocks" ;

(*ii*) For clause II (B) Other foodgrains (excluding wheat), substitute the following clauses:

**Other Foodgrains** (excluding wheat)

"(B) maintain separately in respect of its offices and branches opened before January 1, 1962 in (*i*) the State of Madhya Pradesh, (*ii*) the State of Uttar Pradesh and (*iii*) all other States taken together, in each two-month period commencing from September-October 1964 (1) an average aggregate level of credit against the security of other foodgrains (excluding wheat) which shall not exceed 90 per cent of the average aggregate level of credit maintained in the corresponding two-month period of 1962 ; and (2) a further ceiling of average aggregate level of advances against such other foodgrains (excluding wheat) other than advances against the pledge of warehouse receipts as are referred to in clause IV of this directive, which shall not exceed 90 per cent of such level of credit actually maintained in the corresponding two-month period during 1962 in relation to advances other than advances against such warehouse receipts."

2. In the said directive dated April 21, 1964, for Clause I (Margin) substitute the following clause :—

**Margin**

I—shall maintain in respect of each credit limit against the security of wheat, whether granted before or after the date of receipt of the directive DBO. No. 10114/C. 218-64 dated

17th August 1964 a margin which shall not be less than 50 per cent of the value of the relative *stocks:*

Provided that in respect of credit limits, granted against warehouse receipts issued by warehouses established by the Central and State Warehousing Corporations covering stocks of wheat to parties other than co-operative marketing and/or processing societies and roller flour mills, the margin maintained shall not be less than 40 per cent of the value of the relative stocks ; "

**13. DBO. No. Leg. 10673/C. 233C-64 dated August 28, 1964—All Scheduled and Non-scheduled banks**

**Section 24 of the Banking Companies Act, 1949—Notified banks**

We append overleaf for your information a copy of notification No. S. O. 2763-F 4/22/64-SB dated the 5th August 1964 issued by the Government of India and published in the Gazette of India dated the 15th August 1964. The banks mentioned therein have been notified for the purpose of section 24 (2A) of the Banking Companies Act, 1949, which comes into operative force with effect from the 16th September 1964.

**Government of India**

**Ministry of Finance**

**(Department of Economic Affairs)**

New Delhi, the 5th August 1964

S. 0.2763.—In pursuance of sub-clauses (*ii*) and (*iii*) of clause (*b*) of sub-section (2A) of section 24 of the Banking Companies Act, 1949, (10 of 1949), the Central Government hereby notifies for the purpose of the said section the following banks, namely,

1. the State Bank of Bikaner and Jaipur ;
2. the State Bank of Hyderabad ;
3. the State Bank of Indore ;
4. the State Bank of Mysore ;
5. the State Bank of Patiala ;
6. the State Bank of Saurashtra ; and
7. the State Bank of Travancore.

[No. F.4/22/64-SB.]

**14. DBO. No. Sch. 96/C. 96-64 dated September 25, 1964—All Scheduled Banks**

## GOVERNOR'S LETTER

### Change in Bank rate

The continuous increase in prices has been a matter of serious concern to the Reserve Bank. Prices have risen in the last year by no less than 14 per cent which is higher than for any comparable period since the war. The increase in prices reflects an imbalance between the rate of growth in the liquidity in the economy and the increase in real output. The money supply has risen at a rate of no less than 11 per cent in the last year. This increase has been to a significant extent the result of large credit expansion by the banking system not only to the Government but to the private sector. You are aware that in the last busy season, bank credit to the private sector expanded by as much as Rs. 377 crores. In the current slack season, the pace of return of funds to the system has been markedly inadequate in relation to the previous seasonal expansion. As we approach another busy season which will add further pressures on the system, there is imperative need for continuing a policy of monetary restraint. At the same time, the Reserve Bank is aware that with the credit levels being as high as they are now and with the enhanced liquidity requirements now in force, banks might find it difficult to finance seasonal needs out of their own resources and that the reliance of banks on the Reserve Bank would consequently increase. If genuine seasonal requirements are to be met within the framework of a policy of credit restraint, a modification of the existing system of control is indicated which would place primary emphasis on increasing the cost rather than directly restricting the availability of accommodation from the Reserve Bank. After a careful review of the position the Reserve Bank has decided to take the following steps :

(1) With effect from the close of business today, the Bank rate is raised to 5 per cent per annum.

(2) The present system of regulating commercial banks' access to the Reserve Bank through a system of quotas will be discontinued. Instead, it is proposed to introduce a system under which there will be a progressive increase in the cost of credit made available by the Reserve Bank, the effective lending rate being related to the net liquidity position of a bank as defined below (as distinct from the liquidity requirements in terms of Section 24 of the Banking Companies Act). The net liquidity position will be the total of a bank's cash, balances with the Reserve Bank and other notified banks and balances in current accounts with other banks and investments in Government Securities, *less* its total borrowings from the Reserve Bank and the State Bank as a proportion of its aggregate demand and time liabilities as defined for purposes of the weekly return under Section 42(2) of the Reserve Bank of India Act. If the net liquidity position as defined above is at or above 28 per cent, the Reserve Bank will charge interest on the borrowings from it at the Bank rate. For every one percentage point decrease in this ratio, the rate charged on the *entire* amount of its borrowing from the Reserve Bank would be stepped up by half per cent. The present schemes of additional quota at the Bank rate for increases in advances to the small scale and co-operative sector and to the coal industry under the Coal Industry Guarantee Scheme will be discontinued. The Rupee Export Bill Scheme will be continued whereby banks will obtain finance against their holdings of rupee export bills at the Bank rate, irrespective of the effective rate of interest which the Reserve Bank charges on the other borrowings of a bank arrived at on the basis of the scheme described above, subject to the condition as at present, that the bank will not charge commission, interest or discount on *all* such bills at a rate exceeding $1\frac{1}{2}$ per cent per annum than the bank rate.

(3) A ceiling of 9 per cent has been placed on the rate of interest/discount which Indian scheduled banks with aggregate demand and time liabilities of Rs. 50 crores and above, and

all banks incorporated outside India, can charge on their advances/overdrafts and usance bills discounted. A directive to this effect is being issued separately.

2. The banks should step up their efforts at mobilisation of deposits, as ultimately it is the success with which they increase deposits that would permit them to increase their credit levels to meet not only the higher liquidity requirements but the growing credit demands of an expanding economy. The Reserve Bank feels that the present narrow spread between the interest rates on deposits placed for very short periods and for longer terms is not conducive to the process of deposit mobilisation and that there is need for some rationalisation of the deposit rate structure. Ceiling rates are therefore being prescribed for deposits of varying terms under three months. A directive prescribing these rates is being issued separately. The Bank also regards that the structure of interest rates for longer term deposits should be based on a minimum rate of, say, 4 per cent per annum for deposits of 91 days, with adequate spreads for deposits of longer terms.

3. A separate communication is being issued to Authorised Dealers modifying the general permission now available to bring in funds from abroad so as to make the credit control measures outlined above effective.

## ANNEXURE — I

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that no scheduled bank incorporated in India and having aggregate demand and time liabilities of Rs. 50 crores or above, and no scheduled bank incorporated outside India, shall charge interest on loans/advances/cash credits/overdrafts made by it or renewed by it after the date of this directive, or discount after the said date, usance bills at a rate, in either case, higher than 9 per cent per annum.

*Explanation :*

For the purpose of this directive, the term "liabilities" shall have the same meaning as given in clause (c) of the Explanation to subsection (1) of Section 42 of the Reserve Bank of India Act, 1934.

## ANNEXURE — 2

In exercise of the powers conferred by Section 35A of the Banking Companies Act, 1949, the Reserve Bank of India, being satisfied that it is in the public interest so to do, hereby directs that no scheduled bank shall pay on deposits of moneys accepted by it or renewed by it, after the date of this directive, interest at rates exceeding those specified hereunder :—

| | | |
|---|---|---|
| For deposits upto 14 days | ... | Rates being paid on current accounts as on the date of this directive. |
| For deposits for 15 to 45 days | ... | 1.25 per cent per annum. |
| For deposits for 46 to 90 days | ... | 2.50 per cent per annum. |

## 15. DBO. No. Sch. 132/C. 96-64 dated October 5, 1964—All Scheduled Banks

### Increase in the Bank Rate and other credit control measures

Certain points arising out of Governor's circular letter DBO.No.Sch. 96/C. 96-64 dated the 25th September 1964 on the above subject are clarified below :—

(i) It has been mentioned under item 2 of paragraph 1 of the circular (on page 2) that the net liquidity position of a bank will be the total of its cash, "balances with the Reserve Bank and other notified banks and balances in current accounts with other banks", etc. For the above purpose, the balances in current accounts with other banks include those with the State Bank of India also.

(ii) A question has been raised whether inter-bank deposits are covered by our directive DBO.No.Sch.98/C.96-64 dated the 25th September 1964. Although moneys placed by one bank with the other at call or payable on the expiry of a fixed period are in the form of deposits, they are in effect borrowings and are treated as such for purposes of the weekly return under section 42(2) of the Reserve Bank of India Act, 1934. Therefore, the directive in question will not be applicable to such inter-bank transactions.

## 16. DBO.No.Sch. 150/C.96-64 dated October 7, 1964—All Scheduled Banks

### Increase in the Bank Rate and other credit control measures

Please refer to item (2) of paragraph (1) (on page 2) of Governor's circular DBO.No.Sch. 96/C.96-64 dated the 25th September 1964 and our circular DBO.No.Sch.132/C. 96-64 dated the 5th October 1964 on the above subject. It will be seen that for the purpose of the scheme regulating the cost of credit available to banks from the Reserve Bank, the effective lending rate is related to the net liquidity position of a bank as defined in the former circular. For the administrative convenience of arriving at the net liquidity position, we shall be glad if you will, in future, furnish the information as shown in the enclosed statement, by means of a footnote to the weekly return submitted by you under section 42(2) of the Reserve Bank of India Act, 1934. It will be seen from the proforma of the statement that for calculating the net liquidity position, borrowings in India from the Reserve Bank of India and the State Bank of India only are deducted from the gross liquid assets and that those from the notified banks and from the Industrial Development Bank of India are not taken into account for the above purpose.

2. In the present form of the weekly return the *total* borrowings in India from the State Bank of India and/or notified banks are required to be shown against item (iii) thereof. As, for arriving at the net liquidity position, the borrowings from the Reserve Bank and the State Bank of India only are deducted from the gross liquid assets, we shall be glad if the borrowings from notified banks, if any, are, in future, shown within brackets under the combined figure in item (iii) of the return.

3. The additional information called for in this circular may be please shown in the return *relating to the position* of your bank as at the close of business on Friday, the 9th October, 1964 and subsequent returns. The information relating to the week ended the 2nd October, 1964 may, however, be furnished separately to the office of the Department of Banking Operations to which your weekly returns are submitted.

## ANNEXURE

### Net Liquidity Position

| | | | |
|---|---|---|---|
| 1. | Total of items (iv), (v), (vi) and (viii) | — | — |
| 2. | *Less* — Total borrowings in India from Reserve Bank of India and State Bank of India (excluding borrowings from notified banks and Industrial Development Bank of India) | — | — |
| 3. | (1) — (2) | — | — |
| 4. | Total of demand and time liabilities i.e. items (i) and (ii) | — | — |
| 5. | Net liquidity position | — | Percentage of (3) to (4) correct to the first decimal place. |

## 17. DBO.No.Leg. 29/C. 273-64 dated October 14, 1964—All Banking Companies

### Section 26 of the Banking Companies Act, 1949

In terms of section 26 of the Banking Companies Act, 1949 as amended by the Banking Laws (Miscellaneous Provisions) Act, 1963, banking companies are not required to give, as hitherto, particulars of deposits standing to the credit of *each* inoperative account. Form XII in which the aforesaid particulars were hitherto given, is being accordingly revised. In this connection, your attention is invited to the Government of India notification No. F.16(6)-B/C64-G.S.R. 1206 dated the 21st August, 1964 regarding certain amendments proposed to be made to the Banking Companies Rules, 1949 and the forms prescribed thereunder. The notification has been published in Part II, Section 3, Sub-section (i) of the Gazette of India dated the 29th August, 1964 and the aforesaid amendments will be finalised and made effective after a period of six months, i.e. in March 1965. Pending finalisation of the amendments, we shall be glad if you will kindly submit the return of unclaimed deposits as on the 31st December, 1964 as in the enclosed form.

## ANNEXURE

### THE BANKING COMPANIES ACT, 1949

(Section 26)

Return of unclaimed deposit accounts in India which have not been operated upon for 10 years or more.

Name of the banking company——————————

Name and designation of the officer submitting the return——————————

As on the 31st December 1964.

(To be submitted to the Reserve Bank within thirty days after the 31st December 1964)

| Particulars | Current Accounts | | Savings Bank Accounts | | Fixed Deposits | | Other Deposits | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of A/cs. | Balance out-standing | No. of A/cs. | Balance out-standing | No. of A/cs. | Balance out-standing | No. of A/cs. | Balance out-standing | No. of A/cs. | Balance out-standing |
| | | Rs. p. | | Rs. p. | | Rs. p. | | Rs. p. | | Rs. p. |
| Balance brought forward from the previous return as on 31-12-63 | | | | | | | | | | |
| Accounts, if any, inadvertently omitted in the previous returns ... | | | | | | | | | | |
| Additions during 1964* ... ... | | | | | | | | | | |
| Total ... | | | | | | | | | | |
| @ Accounts which have become operative or were closed during 1964 | | | | | | | | | | |

Total balance as at 31-12-1964

Add—Interest credited to the Accounts during the year

Less—Incidental charges levied to the accounts during the year.

Total ...

Date....................

Signature .................................

* This item is intended to denote actual balances in accounts which have, since the date of the immediately previous return, become inoperative for ten years. If any of the accounts, which should have been included under this item in the previous returns, have been inadvertently omitted from those returns, they should be shown under the separate sub-head "Accounts, if any inadvertently omitted from the previous returns" immediately below "Balance brought forward from the previous return as on 31-12-1963". Particulars of such accounts should be given under all columns of the statement.

@ This item is intended to denote the outstanding balances in such of the accounts (shown in the previous returns) as have become operative on account of further deposits or withdrawals or were closed during the year, after taking into consideration the additions thereto on account of interest credited and deductions therefrom on account of incidental charges applied. The difference (if any), between the outstanding balance thus reported and that shown in the previous return should be suitably explained.

**18. DBO.No.Cre.163/C.218(H)-64. dated December 31, 1964—All Scheduled Banks**

**Advances against Vegetable Oils (Including Vanaspati)**

Please refer to our circular DBO.No.Cre.8400/C.218 (H)-64 dated July 7, 1964 on the above subject. It has been decided to exempt, with immediate effect, from the purview of our directive DBO.No.Cre.8402/C.218(H)-64 dated July 7, 1964, the advances to vanaspati manufacturers against stocks of soya bean oil imported under the P.L. 480 Agreement.

A copy of the amending directive in respect of advances against vegetable oils (including Vanaspati) is enclosed.

**ANNEXURE**

**Advances against Vegetable Oils (Including Vanaspati)**

In exercise of the powers conferred by section 21 of the Banking Companies Act, 1949, the Reserve Bank of India hereby directs that the following amendment shall be made in the directive DBO.No.Cre.8402/C.218(H)-64 dated July 7, 1964, in respect of advances against vegetable oils (including Vanaspati) :—

In the said directive, after the Explanation, insert the following, namely :

"*Exemption:* —With effect from the 31st December 1964 nothing contained in this directive shall apply to advances made to vanaspati manufacturers against the security of stocks of soya bean oil imported under the P.L. 480 Agreement between the Government of India and the Government of the U.S.A."

**19. DBO.No.Sch.215/C. 96-65 dated February 17, 1965—All Scheduled Banks**

**GOVERNOR'S LETTER**

**Change in Bank rate**

The price situation still continues to cause great concern. In spite of a substantial increase anticipated in foodgrains output and other agricultural commodities, wholesale prices have not recorded the requisite seasonal decline and remain 16 per cent above the level a year ago. Expansion in money supply in the current busy season, though lower, has not been very much below the record rise achieved in the last busy season. Although the rise in bank credit so far in the current busy season has been less than the large rise in the corresponding period of last year, the reliance of the scheduled banks on the Reserve Bank is substantially higher than a year ago. It is, therefore, necessary to take additional measures which would further restrain the pace of monetary expansion in the current busy season. Accordingly, the Bank has decided upon the following measures :—

(1) With immediate effect, the Bank rate is raised to 6 per cent per annum.

(2) The system of regulating the effective lending rate to each scheduled bank based on its net liquidity position remains unchanged. The net liquidity position comprises the total of a bank's cash, its balances with the Reserve Bank of India, the State Bank of India, and other notified banks and balances in current accounts with other banks and investments in Government and other approved securities, *less* its total borrowings from the Reserve Bank, the State Bank and the Industrial Development Bank of India, as a proportion of its aggregate demand and time liabilities, as defined for purposes of the weekly return under Section 42(2) of the Reserve Bank of India Act. If the net liquidity

position as defined above is at or above 30 per cent, the Reserve Bank will charge interest on the borrowings from it at the Bank rate. For every one percentage point or a fraction thereof of decrease in this ratio, the rate charged on the *entire* amount of its borrowing from the Reserve Bank would be stepped up by one half of one per cent. The scheme of Rupee Export Bills will continue as at present, whereby banks can obtain finance against their holdings of rupee export bills at the Bank rate, irrespective of the level of effective rate of interest payable by the bank on the basis of the scheme above, subject to the condition that the bank will not charge commission, interest or discount on *all* such bills at a rate exceeding 1½ per cent per annum above the Bank rate.

(3) The ceiling on the rate of interest/discount which Indian scheduled banks with aggregate demand and time liabilities of Rs. 50 crores and above, and all banks incorporated outside India, can charge on their advances/overdrafts and usance bills discounted, is now increased to 10 per cent.

2. These measures will result in the rates of interest which banks will be charging on their advances going up by a minimum of one per cent. This gives the banking system a further opportunity for a suitable readjustment of their deposit interest rates. This is in accordance with the Bank's policy of making banks more self-reliant through mobilisation of deposits. The Reserve Bank is, therefore, increasing the ceiling rates on deposits of varying terms under 3 months and is also setting a minimum for rates on deposits of 91 days and above. Minimum rates on savings deposits are also being increased. A directive prescribing the revised rates is being issued separately.

3. I trust the banks will appreciate that these steps have been necessitated by the serious situation facing the economy at the present juncture. The success of these measures in containing inflation depends to a large extent on the co-operation and understanding of the banking system and a proper implementation of the policy underlying these measures by it. I would therefore request you to exercise appropriate restraint in your lending operations to avoid any excessive creation of credit and extend your co-operation and assistance to the Reserve Bank.

## ANNEXURE — 1

In exercise of the powers conferred by Section 21 of the Banking Companies Act, 1949 and in supersession of the directive Ref. DBO.No.Sch.97/C 96-64 of September 25, 1964, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that no scheduled bank incorporated in India and having aggregate demand and time liabilities of Rs. 50 crores or above, and no scheduled bank incorporated outside India shall charge interest on loans/advances/cash credits/overdrafts made by it or renewed by it after the date of this directive, or discount after the said date usance bills at a rate, in either case, higher than 10 per cent per annum.

*Explanation* :—For the purpose of this directive, the term liabilities shall have the same meaning as given in clause (c) of the Explanation to sub-section (1) of Section 42 of the Reserve Bank of India Act 1934.

## ANNEXURE — 2

In exercise of the powers conferred by Section 35A of the Banking Companies Act, 1949 and in supersession of the directive Ref. DBO No.Sch.98/C 96-64 dated *September 25, 1964* the Reserve Bank of India being satisfied that it is in the public interest to do so, hereby directs that no scheduled bank shall pay on deposits of money accepted by it or renewed by it after the date of this directive, interest except in accordance with the rates specified below :—

| | | |
|---|---|---|
| For deposits payable upto 14 days and for deposits subject to withdrawal or repayment by notice period not exceeding 14 days. | — | Rate not to exceed the rate paid on current accounts as on the date of this directive. |
| For deposits for 15 days to 45 days and for deposits subject to withdrawal or repayment by notice period not exceeding 45 days. | — | Rate not to exceed 1.5 per cent per annum. |
| For deposits for 46 days to 90 days and for deposits subject to withdrawal or repayment by notice period not exceeding 90 days. | — | Rate not to exceed 3 per cent per annum. |
| For deposits of 91 days and over but less than 6 months. | — | Rate to be not less than 5 per cent per annum. |
| For deposits of 6 months and over but less than one year. | — | Rate to be not less than 5½ per cent per annum. |
| For deposits of one year and over but less than 2 years. | — | Rate to be not less than 6 per cent per annum. |
| For deposits maintained in savings accounts that is other than current accounts and fixed deposit accounts. | — | Rate to be not less than 4 per cent per annum. |

*Explanation* :—For the purpose of this directive the term 'Savings Accounts' shall cover all deposit accounts designated as 'Savings Accounts', 'Savings Bank Accounts', 'Savings Deposit Accounts' and such other accounts by whatever name called, which are subject to the restrictions on the number and amount of cheques/withdrawals permitted during any specific period.

## APPENDIX V

## NOTIFICATIONS ISSUED TO NON-BANKING INSTITUTIONS UNDER SECTIONS 45K AND 45L OF THE RESERVE BANK OF INDIA ACT, 1934

**ED. DME. 1062/MRC. 95-64 dated May 14, 1964**

In exercise of the powers conferred by section 45K of the Reserve Bank of India Act, 1934, the Reserve Bank of India hereby directs that every company, other than a banking company or a company which is exempted from this directive under clause 2 herein, shall in relation to or in connection with deposits received by such company on or after 31st March 1962 or any deposits received by it and are outstanding on or at any time after 31st March 1962 furnish information and particulars in the form annexed hereto and as specified therein. The Reserve Bank of India further directs that the said forms duly completed and signed be furnished and continue to be furnished half yearly as indicated in the said forms to the Director, Division of Monetary Economics, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative form.

2. The directions contained herein do not apply to—

(*a*) companies in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments;

(*b*) companies which are financial institutions within the meaning of clause 3(*b*) herein ;

(*c*) companies limited by guarantee ; and

(*d*) companies not working for profit, such as those formed for promoting art, science, religion, charity etc.

3. For the purposes of this order—

(*a*) "company" means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of section 591 of that Act ;

(*b*) "financial institution" means a company—

(*i*) which carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture ; or

(*ii*) which carries on as its business or part of its business the acquisition of shares, stock, bonds, debentures or debenture stock or securities issued by a Government or local authority or other marketable securities of like nature ; or

(*iii*) which carries on as its principal business hire-purchase transactions or the financing of such transactions.

**Form D-1/D-2/D-3—Deposits of the public with non-banking companies**

Name of the Company : ____________________

Address : ____________________

____________________

State : ____________________

Status : (private/public limited company/branch of a foreign company).

Main Business : Manufacturing/Trading/Agriculture/Plantation/Instalment credit/Kuri or chit business/Loan company/Any other (please specify).

Type of Industry: ____________________
(Cotton Textiles, Sugar etc.)

**Part A**— Deposits Outstanding

| | As on March 31, 196... | | As on September 30, 196... | |
|---|---|---|---|---|
| | No. of Accounts | Amount (Rs. 000) | No. of Accounts | Amount (Rs. 000) |
| | 1 | 2 | 3 | 4 |
| **Type of Depositor** | | | | |
| 1. Joint Stock Companies (other than those included in 2 below). ... | | | | |
| 2. Managing Agents, Directors, Secretaries and Treasurers, etc. ... ... | | | | |
| 3. Subsidiaries, Associates or Companies in the same group ... ... ... | | | | |
| 4. All Others ... ... ... | | | | |
| 5. TOTAL of 1 to 4 ... ... ... | | | | |
| Period of Deposits | | | | |
| 1. Upto 3 months ... ... ... | | | | |
| 2. More than 3 months and upto 6 months ... ... ... | | | | |
| 3. More than 6 months and upto 12 months ... ... ... | | | | |
| 4. More than 12 months and upto 24 months ... ... ... | | | | |
| 5. More than 24 months and upto 36 months ... ... ... | | | | |
| 6. Over 36 months ... ... ... | | | | |
| 7. Other deposits ... ... ... | | | | |
| 8. TOTAL of 1 to 7 ... ... ... | | | | |

**Part B—** Usual Rate of Interest (exclusive of brokerage paid for obtaining deposits) allowed on Deposits

| Period of Deposits | Rate of Interest per cent per annum | | Remarks |
|---|---|---|---|
| | End-March 196 | End-Sept. 196 | |
| 1. Upto 3 months ... ... ... | | | |
| 2. More than 3 months and upto 6 months | | | |
| 3. More than 6 months and upto 12 months | | | |
| 4. More than 12 months and upto 24 months ... ... ... | | | |
| 5. More than 24 months and upto 36 months ... ... ... | | | |
| 6. Over 36 months ... ... ... | | | |
| 7. Other deposits ... ... ... | | | |

Date : Signature :

Place : Designation :

**ED. DME. 1063/MRC. 95-64 dated May 14, 1964**

Whereas the Reserve Bank of India considers it expedient to obtain statements, information and particulars relating to deposits from certain companies and is also satisfied that for the purpose of enabling it to regulate the credit system of the country to its advantage it is necessary to obtain statements, information and particulars relating to the business of such companies as hereinafter specified, the Reserve Bank, in exercise of the respective powers conferred by section 45K and section 45L of the Reserve Bank of India Act, 1934, hereby directs that every company (other than a banking company) which carries on as its principal business hire purchase transactions or the financing of such transactions shall, in relation to or in connection with deposits received by or in relation to the business of such company where such deposits have been accepted or such business has been carried on by it on or after 31st March 1962, or where any deposits already accepted have been outstanding on or at any time after 31st March 1962, furnish information and particulars in the forms annexed hereto and as specified therein. The Reserve Bank of India further directs that the relevant forms duly completed and signed be furnished and continue to be furnished half yearly and yearly, as indicated in the said forms, to the Director, Division of Monetary Economics, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative forms.

2. For the purposes of this order, "company" means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of section 591 of that Act.

## FORM HF

### Hire Purchase Business

Name of the Company ______________________________

Address ______________________________

______________________________

State ______________________________

Status (Private/Public Limited Company)

### Part A : Questionnaire

1. Are you a subsidiary of any manufacturing company or otherwise affiliated to any manufacturing or trading establishment ? If so, indicate very briefly the necessary details of such company.

2. Mention the broad types of goods you deal with on a hire-purchase basis (e.g. automobiles, household durable goods, etc.).

3. What is the usual rate of interest per cent per annum you charge for hire-purchase credit for the majority of accounts ?

4. What are the main items of charges, besides interest, included in the hire-purchase sale price of the goods ?
(Please send us a copy of the form of agreement made with hirers.)

5. On what basis do you fix the amount of down payment or cash deposit from the hirer ? If it is a fixed percentage of the sale price of the goods in question, please state the percentage.

6. Do you pay interest on the cash deposit or down payment taken from hirers ? If so, please state the rate of interest (per cent per annum) allowed.

7. Besides capital and reserves and hirers' balances, what are the other sources of funds for your business ?

8. A copy of your balance sheet for the relevant year should also be furnished either with the return or as soon as it is ready.

9. Along with the return relating to the position as on March 31, 1963 please furnish particulars of the rates (percentage) of dividend declared for your accounting years which ended in 1960, 1961 and 1962.

**Part B :** Hire-purchase Business for the year ended March 31, 1965

| Goods on Hire | New credit sanctioned | | Credit disbursed | | Instalments and other payments received during the year | | Outstanding credit at the end of the year | |
|---|---|---|---|---|---|---|---|---|
| | No. of Accounts | Amount (Rs. 000) | No. of Accounts | Amount (Rs. 000) | No. of Accounts | Amount (Rs. 000) | No. of Accounts | Amount (Rs. 000) |
| (a) **Automobiles** | | | | | | | | |
| (*i*) Trucks and lorries ... ... ... | | | | | | | | |
| (*ii*) Cars ... ... ... ... | | | | | | | | |
| (*iii*) Others ... ... ... ... | | | | | | | | |
| (*iv*) Tyres & Spare Parts ... ... | | | | | | | | |
| (b) **Household Durables** | | | | | | | | |
| (*i*) Radio receivers ... ... ... | | | | | | | | |
| (*ii*) Fans ... ... ... ... | | | | | | | | |
| (*iii*) Refrigerators ... ... ... | | | | | | | | |
| (*iv*) Sewing machines ... ... ... | | | | | | | | |
| (*v*) Others ... ... ... ... | | | | | | | | |
| (c) **All others** ... ... ... | | | | | | | | |
| (d) **Total** (a+b+c) ... ... ... | | | | | | | | |

Signature

Date

Designation

**ED. DME. 1064/MRC. 95-64 dated May 14, 1964.**

Whereas the Reserve Bank of India considers it expedient to obtain statements, information and particulars relating to deposits from certain companies and is also satisfied that for the purpose of enabling it to regulate the credit system of the country to its advantage it is necessary to obtain statements, information and particulars relating to the business of such companies as hereinafter specified, the Reserve Bank, in exercise of the respective powers conferred by section 45K and section 45L of the Reserve Bank of India Act, 1934, hereby directs that every company (other than a banking company) which is a financial institution referred to in clause 2(*b*) herein, shall, in relation to or in connection with deposits received by or in relation to the business of such company, where such deposits have been accepted or such business has been carried on by it on or after 31st March 1962, or where any deposits already accepted have been outstanding at on or any time after 31st March 1962, furnish information and particulars in the form annexed hereto and as specified therein. The Reserve Bank of India further directs that the said forms duly completed and signed be furnished and continue to be furnished half yearly and yearly as indicated in the said forms, to the Director, Division of Monetary Economics, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1, not later than the date specified in the relative forms.

2. For the purpose of this order—

(*a*) "company" means a company as defined in section 3 of the Companies Act, 1956 and includes a foreign company within the meaning of section 591 of that Act ;

(*b*) "financial institution" means a company—

(*i*) which carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture ; or

(*ii*) which carries on as its business or part of its business the acquisition of shares, stock, bonds, debentures or debenture stock or securities issued by a Government or local authority or other marketable securities of like nature.

# FORM IC

**Analysis of Investments in securities by financial companies not carrying on hire purchase business.**

**Part A :** Investments in shares, debentures and other securities as on March 31, 196 (Rs. 000)

| | Ordinary shares | | | Preference shares | | | Debentures | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Face Value | Book Value | Market Value | Face Value | Book Value | Market Value | Face Value | Book Value | Market Value | Face Value | Book Value | Market Value |
| A. Investments in shares and debentures of companies ...... ... ... ... | | | | | | | | | | | | |
| 1. Textiles | | | | | | | | | | | | |
| a) Cotton Textiles ... ... ... | | | | | | | | | | | | |
| b) Jute Textiles ... ... ...... ... | | | | | | | | | | | | |
| c) Silk, Rayon & Other artificial fibres ... | | | | | | | | | | | | |
| d) Woollen Textiles ... ... ... | | | | | | | | | | | | |
| e) Others ... ... ... ... ... | | | | | | | | | | | | |
| 2. Sugar ... ... ... ... ... | | | | | | | | | | | | |
| 3. Iron and Steel ... ... ... ... | | | | | | | | | | | | |
| 4. Non-ferrous Metals ... ... ... | | | | | | | | | | | | |
| 5. Electricity generation and supply ... | | | | | | | | | | | | |
| 6. Engineering ... ... ... ... | | | | | | | | | | | | |
| 7. Automobiles and ancillaries ... ... | | | | | | | | | | | | |
| 8. Electrical Machinery ... ... ... | | | | | | | | | | | | |
| 9. Machinery other than transport and electrical ... ... ... ... ... | | | | | | | | | | | | |
| 10. Transport equipment ... ... ... | | | | | | | | | | | | |

| | Ordinary shares | | | Preference shares | | | Debentures | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Face Value | Book Value | Mar-ket Value | Face Value | Book Value | Mar-ket Value | Face Value | Book Value | Mar-ket Value | Face Value | Book Value | Mar-ket Value |
| 11. Chemicals | | | | | | | | | | | | |
| a) Basic Industrial Chemicals ... ... | | | | | | | | | | | | |
| b) Pharmaceutical & Medicinal preparations ... ... ... ... ... | | | | | | | | | | | | |
| c) Other chemicals ... ... ... ... | | | | | | | | | | | | |
| 12. a) Coal mining ...... ... ... ... | | | | | | | | | | | | |
| b) Other mining ... ... ... ... | | | | | | | | | | | | |
| 13. Paper and Paper products ...... ... ... | | | | | | | | | | | | |
| 14. Cement ... ... ... ... ... | | | | | | | | | | | | |
| 15. Mineral Oil ... ... ... ... ... | | | | | | | | | | | | |
| 16. Matches ... ... ... ... ... | | | | | | | | | | | | |
| 17. Plantation ... ... ... ... ... | | | | | | | | | | | | |
| a) Tea ... ... ... ... ... | | | | | | | | | | | | |
| b) Coffee ... ... ... ... ... | | | | | | | | | | | | |
| c) Rubber ... ... ... ... ... | | | | | | | | | | | | |
| d) Others ... ... ... ... ... | | | | | | | | | | | | |
| 18. Financial Companies ... ... ... | | | | | | | | | | | | |
| a) Banks ... ... ... ... ... | | | | | | | | | | | | |
| b) Insurance Companies ... ... ... | | | | | | | | | | | | |
| c) Investment Trusts ... ... | | | | | | | | | | | | |
| d) Others ... ... ... ... ... | | | | | | | | | | | | |
| 19. Trading ... ... ... ... ... | | | | | | | | | | | | |
| 20. Shipping and other Transport ... ... | | | | | | | | | | | | |
| 21. Construction ... ... ... ... ... | | | | | | | | | | | | |
| 22. **Total of A.** ... ... ... ... ... | | | | | | | | | | | | |

| | Face Value | Book Value | Market Value |
|---|---|---|---|
| B. Government and other Trustee securities ... | | | |
| i) Central Govt. Loans ... ... ... | | | |
| ii) State Govt. Loans ... ... ... | | | |
| iii) Govt. savings or annuity Certificates and other obligations excluding savings or other deposits in post offices ... | | | |
| iv) Municipal loans and debentures ... | | | |
| v) Port Trust loans and debentures ... | | | |
| vi) Others ... ... ... ... | | | |
| Total of B ... ... ... ... ... | | | |
| C. Other investments (Please specify) ... | | | |
| Total of A+B+C ... ... ... ... | | | |

**Part B :** Amount invested in stocks, shares, bonds and Government Securities etc. during the year ended March 31, 196

| | Purchase Cost | Sales and Redemption proceeds | Net Investment |
|---|---|---|---|
| 1. Government Securities and Treasury bills | | | |
| a) Central Government ... ... ... | | | |
| b) State Government ... ... ... | | | |
| c) Postal Obligations ... ... ... | | | |
| d) Others ... ... ... ... ... | | | |
| 2. Municipal, Port Trusts, Improvement Trusts, State Transport, Electricity Boards and other public utilities. ... ... ... | | | |
| 3. Shares and debentures of joint stock companies ... ... ... ... ... | | | |
| a) Ordinary shares : | | | |
| i) New issues of existing companies | | | |
| x) Rights issues ... ... | | | |
| y) Other new issues ... ... | | | |

| | Purchase Cost | Sales and Redemption proceeds | Net Investment |
|---|---|---|---|
| ii) Issues of new companies ... | | | |
| iii) Others ... ... ... ... | | | |
| iv) Total of (a) ... ... ... | | | |
| b) Preference shares : | | | |
| i) New issues of existing companies : | | | |
| x) Rights issues ... ... | | | |
| y) Other new issues ... ... | | | |
| ii) Issues of new companies ... ... | | | |
| iii) Others ... ... ... | | | |
| iv) Total of (b) ... ... ... | | | |
| c) Debentures: | | | |
| i) New issues of existing companies : | | | |
| x) Rights issues ... ... | | | |
| y) Other new issues ... ... | | | |
| ii) Issues of new companies: ... | | | |
| iii) Others ... ... ... ... | | | |
| iv) Total of (c) ... ... ... | | | |
| 4. Other investments (Please specify) ... | | | |
| 5. Total of items 1 to 4 ... ... ... | | | |

*Name of the Company* :

*Address* :

*State* :

*Status* : Private/Public Limited Company

Signature

Designation