CONTENTS

List of Tables xvi
List of Illustrations xvii

1. Introduction 1

MONETARY AND CREDIT POLICY 9

2. Deficit Financing and the Environment for Monetary Policy 12
   Deficit Financing and the Bank 13
   Deficit Financing and Monetary Control 27

3. Monetary Policy, 1951–61 50
   The First Plan, 1951–56 51
   The Second Plan, 1956–61 64

4. The Difficult Years, 1961–67 87
   Credit Policy, 1961–64 89
   The New Credit Policy 94
   Monetary Policy, 1965–67 102
   Preferred Sectors and Moral Suasion 112
   Towards Regulating Interest Rates 114
   Conclusion 125

FINANCING GOVERNMENTS 133

5. Managing the Centre’s Finances 135
   Preparing a Loan Issue 136
   Central Government Loan Operations 139
   Treasury Bill Operations 167
   Ad hoc Treasury Bills 173
   Public Borrowing: An Overview 178
6. Banking for State Governments
   The Bank and Federal Financial Integration 185
   Ways and Means Advances and State Governments’ Overdrafts 192
   Market Borrowings by State Governments 205

RURAL CREDIT

7. Charting New Vistas
   The All-India Rural Credit Survey 233
   Medium-term Lending for Agriculture 251
   Reorganizing Land Mortgage Banking 254

8. The Bank and Cooperative Credit
   Reorganizing the Cooperative Financing Structure 264
   Primary Societies 272
   The Bank and the Green Revolution 302
   Rethinking Cooperation 306
   Conclusion 310

TOWARDS A STATE BANKING SECTOR

9. From Imperial Bank to State Bank
   The Imperial Bank after Independence 319
   Creating the State Bank of India 334
   State Bank of India: The Early Years 347

10. Subsidiaries of the State Bank
    Regulating the State Banks 356
    Realigning Major State-associated Banks 359
    Rural Credit Survey and its Aftermath 364
    State-associated Banks in Reorganized States 372
    The Ad hoc Committee’s Proposals 381
    Voluntary Takeover of State-associated Banks 387
    Some Subsidiary Issues 392
    Epilogue 395

BANKING DEVELOPMENTS

11. Regulating Banks and Deposit Institutions
    Inspecting Banks 401
CONTENTS

Evolving Capital Adequacy Norms 405
Improving Banks' Liquidity 416
Management and Control of Commercial Banks 423
Regulating Cooperative Banks 433
Regulating Non-bank Deposit Institutions 441

12. Crisis, Consolidation, and Growth, 1951–67 453
Controversies over the Banking Situation
  in West Bengal 455
Licensing Banking Companies in the 1950s 466
The Banking Crisis in Kerala and Aftermath 470
Banking Consolidation in the 1960s 483
Branch Licensing Dilemmas 486
Introduction of Deposit Insurance 490
Trends in Indian Banking, 1951–67: An Overview 505

FINANCING INDUSTRY 513

13. Building an Institutional Infrastructure 515
  The Committee on Finance for the Private Sector 515
  The Refinance Corporation for Industry 523
  The Industrial Development Bank of India 531
  The Unit Trust of India 540

14. Financing Small Industries and Exports 553
  The Bank and State Financial Corporations 553
  The Bank and Small Industries 565
  Financing Exports 579

THE EXTERNAL SECTOR 591

15. The Problems of Plenty, 1947–56 593
  Sterling Balances: Framing the Issues 595
  The Six-year Agreement 605
  Washington Balances and Reserve Diversification 608
  The Rupee in a Convertible World 613
  Sterling Convertibility and After 621
  The Bank’s Role 623

  The Crisis of 1956–58 626
xvi CONTENTS

The Search for Funds 629
Foreign Aid for the Third Plan 644

   Reappraising Assistance to India 658
   Scraping the Bottom of the Barrel, 1965–66 666
   Devaluation 672
   Conclusion 692

18. THE BANK AND GOVERNMENTS 695

APPENDIXES 745
A. Currency: Changes and Challenges 746
B. P.L.480 Arrangements 760
C. The Palai Central Bank 767
D. The Bank and the Mundhra Affair 794
E. Administering Exchange Controls 808
F. Quota Increases at the Fund 836
G. Bilateral Rupee Payment Agreements 845

SELECTED DOCUMENTS 857

Index 1176