COMMERCIAL BANKS AND SOCIAL CONTROL

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

COMMERCIAL BANKS
&
SOCIAL CONTROL

I

By

M. L. TANNAN*

I do not know whether the proposal to combine the post of the General Manager and Chairman of the Board of Directors in one and same person is likely to lead to any improvement in the administration as I personally believe that the present system leaves scope for persons aggrieved by the decision of the General Manager to appeal to the Chairman of the Board who may in suitable cases accept such appeals. While I agree that some attention be paid to give accommodation to those engaged in agriculture, I cannot help disagreeing with the persons advocating that character alone should be the main criterion for extending credit. The three 'C's of credit are: character, capacity and capital. While character and capacity of the borrower play an important part, so far as the repayment of loans is concerned, there are occasions on which in spite of the borrower having both of them, he fails on account of circumstances beyond his control. It is the capital of the borrower which enables the bank to realise the money without any loss. While there is some scope for giving greater facilities to small borrowers and, consequently, there is need for the demand of some persons who can look

* The late Mr. M. L. Tannan was an authority on banking and his book on the subject is considered to be a standard work. This brief note is based on his presidential remarks at a meeting organised by the Forum of Free Enterprise in Bombay on January 22, 1968.

after their interest, it cannot be denied that most of the credit given is to industrialists for the development of industries in this country and, consequently, commercial banks cannot do away with having industrialists on their Boards.

Both employers and employees in the banking business must not forget that their interests are more or less identical. Just as the employees should look to their employers for redress of their just grievances, the employers should also take sympathetic view of their employees' interests. If both of them - employers and the employees - work at cross-purposes, the national interests are bound to suffer, because the dissatisfaction of the employees is bound to affect adversely not only the banks' interests but also those of their country. I would, therefore, request both the employers and employees of the banks to work harmoniously in the best interest of the country.

II

Prof. GANGADHAR GADGIL *

The insistent demand for nationalisation of commercial banks and the Government's response to it are another tiresome repetition of a political game that has been played in this country almost constantly since 1947. In this game, disgruntled politicians, claiming to represent the poor masses, inveigh against private enterprise as the source of all economic evils, and the Government accepting the basic premise, tightens its control over private enterprise and expands the Public Sector.

In this game, the disgruntled politicians get credit for championing the cause of the poor masses, without having to do anything at all to deserve it. To build up a cooperative society, to promote rural development or to remedy the genuine grievances of the people, involves a lot of study and sustained effort. But to demand the nationalisation of one industry or another involves only a slight and enjoyable exercise to the vocal chords. Even to prepare a sound case for such a proposal is not considered necessary.

The Government also finds such tantrums of disgruntled politicians most welcome and advantageous. It is difficult to check rising prices, increase production and employment or correct the balance of payments. But to nationalise or to impose controls is the easiest thing to do. Moreover, the Government can get credit for having done something bold and big, without really doing anything at all. Over and above this, there is an additional bonus to the Government in the form of additional powers and opportunities to misuse them in various ways. In this

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respect, controls are better than nationalisation. Nationalisation involves a responsibility to pay compensation and to manage the nationalised enterprises efficiently. Social control gives power without responsibility.

I am not suggesting that there should be no social control over commercial banking. The need for such control has been recognised for nearly a hundred years and particularly in the last fifty years. Central banks have exercised that control for a long time and have been armed with powers for that purpose. India has been no exception to this rule.

What is now being demanded is that additional control should be imposed on commercial banks. My contention is that the grounds on which this demand is based are filmsy and that the Reserve Bank of India already has enormous powers which are more than adequate for achieving the ends in view.

The case against banks has never been systematically presented. Yet from the diatribe against banks, one can glean the following grounds of criticism.

(1) Banks have contributed to the enormous growth of big business houses in the country leading to unhealthy concentration of economic power.

(2) The directors of banks are using the resources of these institutions for the benefit of the business concerns with which they are associated.

(3) The resouces of banks are not being distributed among the various sectors of the economy in accordance with national priorities. Specifically, the farmers and small entrepreneurs are being starved of credit.

(4) The loans and advances given by banks are being misused for hoarding and speculation.

It is no doubt true that the big business houses in India have greatly expanded and now control a large number of varied industrial units. It is, however, necessary to look at this expansion in a proper perspective. In the first place, the expansion of big business houses is not something peculiar to India but is a trend which is in operation in all countries where private enterprise exists. Secondly, considered the paucity of entrepreneurial talent and expertise in this country, particularly when we attained Independence, such expansion was inevitable and even necessary. Moreover, the big business houses find it easier to obtain foreign collaboration and also to raise capital from the public. Thirdly, even the biggest business houses in India are quite small as compared with the industrial giants in foreign countries. Fourthly, while the big business houses do control a large number of companies, the proportion of shares they hold in these companies has been declining over the years. Their economic power thus rests more and more on the leadership, prestige and expertise they provide. Fifthly, the Government is even at present armed with adequate powers to prevent these business houses from misusing their power. Sixthly, the remedy to concentration of economic power in the hands of private enterprise seems to be to concentrate it in the hands of Government. Experience shows that the remedy is as bad as, if not worse than, the disease.

Let us grant, however, that such concentration of economic power in the hands of business houses is undesirable. The question then is, who is responsible for it? The primary responsibility for such concentration rests squarely on the Government. For it is the Government that issues licences for starting industrial units, grants permission for capital issues, approves foreign collaboration agreements and that regulates and supervises the affairs of joint-stock companies.

The commercial banks do not promote new joint-stock companies nor do they provide initial block capital to these companies. They come into the picture only after the companies are established and provide working capital to them. It can be argued that banks encourage concentration of economic power by liberally providing working capital to companies controlled by big business houses. But banks obviously cannot and ought not to discriminate between customers, except when they are asked to do so by a directive issued by the Reserve Bank. If they do so, they will take upon themselves the role of makers of economic policy.

This role belongs properly to the Government and the Reserve Bank and no other agency should usurp it. The Reserve Bank, incidentally, has powers to issue the kind of directive mentioned above. No such directive was issued by the Reserve Bank. Moreover, it would be highly improper for banks to refuse to provide working capital to companies established with the approval of the Government of India. This would amount to running counter to the economic policies of the Government and it would also keep idle valuable plant and machinery and retard production, which is the last thing anybody should do in our country.

One might add here a footnote regarding the powers of the Reserve Bank to control grants of loans by banks. No loan of Rs. 1 crores or over (even when the loan is spread over a number of banks with each bank's share being less than Rs. 1 crore) can be given except with the previous permission of the Reserve Bank. Moreover, the Reserve Bank can issue a general directive to all banks or specific instructions to any one or more of them regarding their lending policies and practices. Moreover, under an omnibus clause of the Banking Regulation Act, the Reserve Bank can issue any directive to banks with which they must comply. It is absurd and hypocritical to say that these powers are not adequate for regulating the policies and practices of banks. In fact, such a statement would amount to admission of gross incompetence and negligence on the part of the Reserve Bank and the Government which controls it.

It is no doubt true that representatives of big business houses are associated with managements of banks. There is nothing unnatural or sinister about this. It would be of course improper if these directors used their positions to divert a disproportionate share of the funds of banks to meet the needs of their own business houses. If this has happened, no specific instances have been brought to light by the critics of banks. And in any case, the Reserve Bank is armed with adequate powers to prevent such improprieties or misuse of power. The Reserve Bank has the power to remove any director, officer or employee of a bank from his office, and it can as stated earlier, prohibit a bank from entering into any transaction and can issue any directive to it. In any case, published figures show that only about 10 p.c. of the advances of banks are given to their directors and their concerns.

In fact, if it is proved that directors of banks missue their position to improperly use the resources of bank for their own benefit, it would not strengthen but weaken the case for nationalisation or social control. For, it would mean that the Reserve Bank, which is a nationalised institution, cannot or does not prevent such malpractices. If nationalisation of the Reserve Bank has not achieved what it was meant to achieve, there is no reason to believe that the nationalisation of commercial banks would have the desired result. Our general experience is that nationalisation and controls only change the form of the evils they are intended to eliminate.

Banks are severely criticised for not meeting adequately the credit needs of small-scale industries, new and aspiring entrepreneurs and farmers. As regards the credit needs of small borrowers and small-scale industries, it has not been proved by objective studies that they are not being adequately met by banks. An analysis of the composition of borrowers shows, that an overwhelmingly large percentage of them are small men and concerns with a limit of less than Rs. 50,000. The percentage of such borrowers ranges from 65 to 70 in the case of large banks and from 85 to 90 in the case of medium banks. The percentage of the total advances that goes to these borrowers is of course small. But to a certain extent this is inevitable. Our planning has put emphasis on large-scale industry and consequently it requires and absorbs a large proportion of the banks' resources. The share of small industries in the total bank advances is nonetheless increasing. The advances to them which amounted to Rs. 28 crores in December 1960 were Rs. 91 crores in 1966.

It is no doubt true that small borrowers do experience certain difficulties in borrowing from commercial banks. But this is generally because of their inability to offer proper and adequate security. The techniques and procedures of lending adopted by banks are also found to be inconvenient by the small industrial units. There is need and room for change in these practices and procedures. The banks themselves have recognised this and they have in recent years considerably liberalised their attitude towards the small-scale industries. It is bound to be further liberalised over the years.

In any case, the Reserve Bank has adequate powers to instruct the banks to give more credit to the small industrial units and to liberalise the requirements regarding security as well as the procedures. There is absolutely no need for adding to these powers for this purpose. Moreover, if the Government was really very keen to make more credit available to small industrial units, it could have instructed the nationalised State Bank of India to utilise a far greater proportion of its resources for that purpose. The State Bank of India, which was nationalised more than a decade ago, is by far the largest commercial bank in the country. The funds at its disposal are so large, that it alone can meet a very large proportion of the needs of small industrial units without taking undue risks. But the policy followed by the State Bank in this area has been fairly cautious and only a little more liberal than the policy of the other commercial banks. This indicates that nationalisation is very often not the solution to problems.

The most unfair criticism of the banks is that they have remained indifferent to the problems and credit needs of agriculture. It is unfair not because it is untrue, but because the responsibility for this state of affairs is mainly of the Government. The commercial banks in India developed on the model of commercial banks in Britain and some other European countries and confined themselves to the business of providing short-term working capital to industry and trade. They perfected the techniques of handling this particular line of business and kept aloof from other kinds of business, such as provision of working capital to agricultural or block capital to industry.

On the whole, this was a healthy course of development. If prior to Independence, banks had ventured into the field of agriculture or provided long-term capital to industry the consequences might have been disastrous. In any case, such a policy would have weakened the banking system and arrested its healthy development.

This tradition was continued after 1947, and the Government both implicitly and explicitly approved of this state of affairs. Thus, not only were banks not asked to provide long-term capital to industry, but specialised institutions were created for that purpose. Similarly, banks were at no stage expected to provide capital for agriculture. In fact, various committees appointed by the Government from time to time (The Rural Banking Enquiry Committee, The Rural Credit Survey and the Committee on Cooperation) expressed the view that commercial banks should not enter the field of rural credit. They were of the view that this business should be handled by cooperative banks. The cooperative banks also disapproved of commercial banks' entry into what they considered to be their chosen field.

The Government approved of these recommendations of the expert committees and took various measures to encourage the development of cooperative banks in rural areas. These banks get liberal credit from the Reserve Bank at concessional rate of interest and they obtain assistance in numerous other forms from the Government. While the Government thus encouraged the growth of cooperative banks, it did not at any stage indicate that it expected the commercial banks to provide rural credit.

When the Government realised the inadequacy of cooperative banks in providing rural credit, it entrusted the task of supplementing their efforts to the State Bank of India, which is a nationalised institution. It thus again indicated that it did not want private commercial banks to participate in that business.

Incidentally the State Bank has made very limited progress in providing rural credit in the last decade. This proves once again that it is not lack of resources or authority at the disposal of the Government which has prevented the additional flow of credit to rural areas but incompetence and lack of sincere interest on the part of Government and its agencies.

It is not true that the commercial banks have not provided any credit to the rural sector. They have done so indirectly by financing the movement of crops. They have also financed sugar factories, cotton ginning presses and other agro-industries, which in turn have financed the farmers. The loans and advances given to industries producing fertilisers, tractors, pumps, pesticides etc. have immensely helped agriculture. Direct assistance has also been given by providing loans and advances to plantations of tea, coffee, rubber etc. Considerable investments have also been made in debentures of land mortgage banks and the commercial banks have acted as bankers to the cooperative movement.

It is possible that the Government now desires to change its policies regarding rural credit and wants the commercial banks to play a greater and more active part in providing it. If this is so, the Government should honestly and openly admit the inadequacies of its past policies, instead of blaming the commercial banks for sins they have not committed. Moreover it is not at all necessary to arm the Reserve Bank with more powers for implementing this modified policy of rural credit. Its present powers are more than adequate for that purpose.

It is necessary at this stage to strike a note of warning. The problems of our agriculture are very complex and it is naive to believe that they will be solved by increased flow of credit to the farmers. Moreover, the experience of cooperative banks in rural areas is not particularly happy. They have failed to mobilise sufficiently the vastly increased savings in the rural areas. A large class of middle and big farmers has acquired considerable wealth in recent years due to increase in prices and production. This wealth can meet a substantial part of the requirements of rural finance. But it is not becoming available for that purpose. On the contrary, there is a tendency on the part of these farmers to look upon cooperative banks as milch cows that provide abundant credit as and when required. Moreover, there is a dangerous tendency not to repay loans advanced by cooperative banks. The proportion of overdue loans advanced by cooperative banks is distressingly large. Some of these loans of course, have not been repaid due to genuine reasons. But this is not the case with all the overdue loans. There is a dangerous marriage of cooperative movement and politics in rural areas, which has generated this and other unhealthy attitudes. If the commercial banks step into the field of rural finance, they may suffer from these unhealthy attitudes. As a result, the entire structure of commercial banking in the country would be weakened.

Banks are also criticised for providing finance to hoarders and speculators. It has not been proved that they have done so. If, however, they have been guilty of such practices, it must be regarded as another instance of inability of the Reserve Bank to effectively exercise the enormous powers it has at its disposal. The hoarders and speculators incidentally, do not depend on bank advances for their activities. They depend primarily on unaccounted money, which is plentiful in the economy. That this should be so, is the result of failure of the Government to do its job properly. Banks cannot be held responsible for it.

Fundamentally. prices are rising because of irresponsible use a deficit financing by the Government. Another reason is the failure of Government's Five-Year Plans to raise production. Having failed to discharge its responsibilities, the Government is looking for scapegoats, and it has found them in the commercial banks. It is an old trick of politicians to blame others for their failures, and it is being played once again in our country. This trick has been used too often in our country and it is time the people saw through it.

The bill that has now been introduced in the Parliament to give greater control over banks to the Reserve Bank is really quite unnecessary. The Reserve Bank even now has powers to remove a director of a bank, to appoint a person to replace him and to appoint upto five additional directors on boards of banks. It can, therefore, exclude from and include in the boards of directors of banks representatives of various economic interests. The provisions in the bill for reorganisation of boards of directors thus have only a nuisance value. Moreover, it is naive to believe that the influence of big industrialists can be eliminated by preventing them from becoming directors, chairmen and managing directors of banks. None of the big industrialists is a minister in the central cabinet. Yet they seem to have obtained all the industrial licences they want.

Similarly, even with the powers it has at present, the Reserve Bank can prevent banks from giving loans to their directors or their concerns. Moreover, it is not at all fair to refuse loan to a concern merely because a director of a bank is associated with it. Guilt ought not to be proved by association but on more objective and solid grounds.

The Reserve Bank also has adequate powers "to ensure that the resources of the banking system are distributed equitably and purposefully in conformity with the developmental requirements so that the priority sectors receive their due share and particular clients or groups of clients are not favoured in the distribution of credit." If the Reserve Bank has not exercised these powers properly and effectively a commission ought to be appointed to investigate into this failure and severe action ought to be taken against those responsible for it.

The power sought to be given to the Reserve Bank to acquire a banking company on certain grounds are too drastic. They would amount to an interference with fundamental rights if they seek to exclude such acquisition from the perview of the judiciary.

The Bill thus will not serve any purpose which cannot be served by existing legislation. It will only give to the Government a satisfaction of having done something. It will also provide added opportunities to the bureaucracy and politicians to interfere with and influence the working of the banking system. It will thus lead to even greater concentration of economic power in the hands of the most powerful and dangerous vested interest in the country, namely, the politicians and bureaucrats.

III

Prof. (Mrs.) C. K. DALAYA *

The Finance Minister's recent statement in the Lok Sabha about the social control over commercial banks reflects the perennial efforts which have been made by the Government to find a "Golden mean" between free enterprise and nationalisation or between the Private Sector and the Public Sector. While the nature of the capitalist and communist systems have undergone basic changes over the last three decades, the Congress Party and the Government still talk in terms of the concepts of the last century when the advantages and defects of both systems are hotly discussed.

It has been argued by the Government that while for the achievements of a rapid rate of growth in the economy, the Private Sector has to be accepted, the functioning of this sector leads to the ills of concentration and monopoly power and so the Private Sector has to be controlled by the State and when the State feels the need, it can be nationalised. If the argument was carried further and stated that nationalisation would remove all the limitations of the Private Sector, it would sound logical. But then, there is not the full faith in nationalisation or the ability of the administration to take up additional tasks. Thus when there is criticism against the Private Sector due to some incidences or economic difficulties, the Government attempts to impose further restrictions on the sector, and when the Public Sector comes under criticism from the public, the curbs on Private Sector are liberalised.

In trying to derive the advantages of both the systems, free enterprise and nationalised economy, the Government evolves a policy, which has not only failed to achieve them,

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but has led to all sorts of uncertainties and irrationalities in these policies. The same wavering attitude is uniformly adopted in relation to all sectors of production without some discrimination which is necessary in defining the role of the State in relation to different types or production activities. A policy which may be suited to the public utility sector may not be helpful in the consumers' goods sector - or the one in the agricultural sector would be essentially different from that in the retail trading sector. The approach in a mixed economy has to be of a pragmatic character and should not be based on ideological issues.

The Government wants the Private Sector to function but attempts constantly to curb the profit incentive. Nationalisation is accepted in principle in certain sectors but the Government is not sure whether efficient management will be established or not. The present problems of the economy cannot be solved either by just curbing the Private Sector or formally extending the Public Sector. The need is for the creation of conditions and formulation of policies which will detract the Private Sector from socially undesirable activities, by changing the very conditions which have led some Private Sector units to less desirable or lower priority sectors and these conditions cannot be created by further controls and regulation of the Private Sector. If the controls and restrictions have failed to achieve the desired objectives in the past, they cannot do so now; on the contrary with the other economic and administrative difficulties existing in the country, they may create additional problems for the economy. If the Private Sector is to function, it has to be provided with conditions and policies which will induce it to function efficiently. If it is felt that the Private Sector is not worthy of the faith of the community, the logical conclusion can be the nationalisation of the Private Sector. But has the Public Sector functioned in a manner as to inspire such faith? And if both the sectors have not been much worthy of faith, is there not something basically wrong with the functioning of the economy and the policies adopted so far which cannot be just put right by discussing the controversy about the Private Sector vs. Public Sector and shifting alternatively the emphasis from one to the other?

The statement on the control of banks again reflects the same futile search for a way to allow the Private Sector to function and yet impose a variety of regulations to control it and a search for some panacea to solve the problems facing the financial structure of the economy. The statement says:— "In spite of the shortcomings and weaknesses of the banking system, it is an integral part of the money market and has given a good account of itself - and yet further controls and regulating organisations are needed for the proper functioning of the banks!" The statement remarks certain conclusions and suggests some policies on that basis. These can be analysed as follows:—

1. "The objective of the regulation of our social and economic life is to attain an optimum rate of growth and at the same time to prevent any monopolistic trends, concentration of economic resources and misdirection of resources". It seems to have been assumed that the banking system till now has not helped the achievement of these objectives. Since the Second Plan the Government has shifted the emphasis from 'Reducing inequalities in the distribution of income' to 'preventing any monopolistic trend or concentration of resources'. Is the achievement of this objective consistent with the operation of a large Private Sector? Does the concentration of resources exist only in the large-scale industries sector or is it also developing in the agricultural sector? History reflects such a trend in all the developing economies where the Private Sector plays a significant role. The problems of concentration, so long as they do not come in the way of rapid growth, can be tackled when the economy reaches a viable stage of growth. Further is it possible to achieve both the objectives simultaneously, or is there a basic conflict between economic equality and efficiency?
2. "The bulk of the bank advances have gone to the heavy and medium industries and big business

houses, so the other priority sectors - agricultural and small-scale industries-exports have not received their due share". Was it not the objective of the second and the third plans to bring about the rapid development of these industries or the large-scale industries sector? Actually this was suggested by the Shroff Committee and the Reserve Bank had induced the banks to lend more to industries. For financing agriculture and the rural sector series of institutions have been established such as the State Bank of India and the State Co-operative Banks etc. In order to control speculation in agricultural products, credit curbs have been imposed on the trading institutions in the rural areas. For small-scale industries, there are the central and state financing corporations and even the State Bank of India gives substantial finance to this sector. Has not the State so far attempted to establish specialised financing institutions in all these sectors and were not the commercial banks expected to provide short term financing facilities to various sectors? If commercial banks have not actively entered the agricultural sector, is it not due to the fact that this sector is not yet organisationally well developed and lending to the sector is not economically remunerative? Further do the commercial banks have financial resources to satisfy the need of this sector too?

3. "The board of directors mainly consist of the industrialists and businessmen and so the other ecomic sectors have no influence on the credit decisions of the commercial banks". This has been evident not merely in the working of the commercial banks but also the cooperative banks. Will the reconstitution of the boards remove the influence of the 'U sector' on the credit policies of the commercial banks?

4. "Nationalisation will not touch the basic issues and would severely strain the administrative resources:

of the Government". Does this not apply to all the sectors in the economy? Further will the controls envisaged under the Bill solve the basic issues?

5. "The constitution of the board of directors should be changed. There will be a full-time Chairman who will be a professional banker and not an industrialist. The Reserve Bank will have the power of maintaining or removing him. On the reconstituted board of directors, majority of the directors will be non-industrialists, persons from other sectors - agriculture, cooperative etc., whose knowledge and experience will be useful to the commercial bank. Reserve Bank will have the power to appoint an observer or a director on the board". There is the possibility that this type of board will be a conglomeration of all interests and individuals with different views and they would find it difficult to work cohesively. As they will have no personal interest in the bank, they may either be dominated by some directors who have an interest in the bank or may function in the manner of the Public Sector unit with all its bureaucracy and rigidity. The board may just function like a big government committee and make the credit policy as rigid as the controls imposed by the State!

6. "Prohibition of advances to directors, partners, managers etc., or even substantial shareholders. The borrowers of the bank should not be represented on the board or any advisory committee". Will it not be possible for the industrialists to get the loans from the banks in other ways? What about the industrial concerns accepting deposits from the public? Will the State be able to prevent, by these measures, further concentration of funds in the industrial sector?

7. "Setting up of the National Credit Council representing industries, agriculture, trade, cooperative,

economists, accountants ("Why not technicians"); a compact deliberative body that will help the Reserve Bank and the Governor in their decisions on budgeting and planning of over-all credit". Will this not be a huge body without any cohesion and consistent views? The priorities for credit policy are already laid down under the plan and the various policies of the State. What will be the role of an additional advisory body with all the other advisers and committees which are already waiting in the Reserve Bank and Ministry of Finance? Are there not enough competent people with the Reserve Bank to apply these policies effectively and achieve the desired results?

8. "Finally additional powers will be given to the Reserve Bank more positive and purposeful than the earlier ones". The Reserve Bank has been using the powers of credit controls since 1961. If these controls have not been successful, will the giving of additional powers serve the purpose? The failure of the earlier controls can be attributed to other factors rather than to the deficiency in the control mechanism. The credit controls of the Reserve Bank cannot operate offectively under the conditions which affect significantly the working of the institutions on the market, such as deficit financing, activities of the non-organised sectors of the market and unaccounted money circulating in the market. These limitations have to be first removed and better co-operation between the central bank and commercial banks has to be established. Extension of compulsion and controls will create more conflicts rather than solve the problems.

The policies suggested above seem to be mainly for pacifying the political agitation for nationalisation of banks. If more decisive control and adjustments are needed in the credit policies of the commercial banks and their functioning, they can be well brought about within the existing system of controls. If the objective is to break down the concentration of power in various sectors, it cannot be achieved through these measures; nationalisation of not only the banks but other sectors too will be the logical sequence. Are we ready to accept it?

A definite decision about what we want to achieve and what techniques of planning and policies are to be adopted for this purpose is inevitable. A choice about the priority to either achieving a maximum possible rate of growth and creating conditions for achieving that rate or emphasising the aspect of distribution of wealth and economic power in the economy has to be made. If economic growth is the prior objective, is it not pragmatic to accept any agency-private or public—which can do the job or are we to continue quarrelling about ideologies and remain confused with controversies without achieving substantial results?

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.

INDIAN BANKING

STATISTICS AT A GLANCE

END OF	1951	1966
1. **Number of Banks** (Reporting)	566	100
2. Number of Offices of Banks in India	4,151	6,596
3. Population per Office (in 000's)	87	76
4. Total Deposits in India (Rs. lakhs)	908,47	3,618,66
(a) Current Deposits "	456,11	892,22
(b) Savings Deposits "	149,30	825,15
(c) Fixed Deposits "	250,36	1,752,11
(d) Other Deposits "	52,70	149,18
5. Average Deposits per Office (Rs. lakhs)	22	55
6. Deposits *per capita* (Rs.)	25	73
7. Credit (@) Outstanding in India (Rs. lakhs)	626,90	2,456,59
8. Average Credit per Office	15	37
9. Credit *per capita* (Rs.)	17	49
10. Deposits as % of National Income	9	16
11. Number of Bank Employees	78,852*	1,69,798
12. Total Earning (Rs. lakhs)	45,35	297,03
13. Total Expenses "	32,30	257,97
14. Establishment Expenses "	15,40	89,88
15. Profits before Tax "	13,05	39.06

Notes: Population figures for 1966 are estimated.

@ Loans and advances and bills purchased and discounted.

(* Figure for 1951 is not given. This figure is for 1956)

Source: "Statistical Tables Relating to Banks in India" for the year 1966
Reserve Bank of India

"**Free Enterprise was born with man and shall survive as long as man survives.**"

A. D. Shroff

1899-1965

Founder—President

Forum of Free Enterprise

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